Budget Address
2008 - 2009

NORTHWEST TERRITORIES

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The Honourable Floyd K. Roland
Minister of Finance

Second Session of the
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Introduction

Mr. Speaker, I am pleased to present the first budget of the 16th Legislative Assembly.

We're at an important crossroads in the Northwest Territories.

Times are relatively good.

We continue to have the highest Gross Domestic Product per capita in the country. And the highest average income in the country.

At the end of last year, a third world-class diamond mine went into production in the Northwest Territories. At full operation, our diamond industry will produce 15 per cent of the world's diamonds.

For a territory of only 43,000 people, those are some great achievements.

And residents of our Territory are to be commended. Because it's due to their hard work that we are succeeding. It's due to their goals, and their values, and their ambitions that we have these remarkable achievements and are enjoying these good times.

We all want these good times to continue.

But there are some clouds on the horizon that we need to watch.

Over the past year, the North American economy has begun to face some difficult hurdles.

Canada's largest trading partner, the United States, is in economic slowdown. There is volatility in world financial markets. Energy costs have risen rapidly.

Although the strength of the Canadian dollar helps insulate us, Canada is not immune to these economic challenges.

Many governments across Canada, including the federal government, are budgeting with caution. Because financial ripples can become dangerous waves. Canada's economy, like ours, is based on exports. We depend on people and businesses around the world to buy our products and services. So the health of world markets and the pocketbooks of world consumers affect our economy. Their challenges can have an impact here.

So we need to keep an eye on the broader economic situation, and be prudent in our budgeting.

At the same time, here in the Northwest Territories, we have immense opportunities ahead of us.

We know we have an incredible amount to offer Canada and the world.

Exploration continues in our resource sector as we take our place as a world leader in diamond production.

Global demand for oil and natural gas continues to grow. We have billions of barrels of oil and trillions of cubic feet of natural gas waiting to be developed.

Our river systems offer incredible hydroelectric potential that can generate new growth and cheaper, cleaner energy alternatives for our residents.

We have great tourism potential, with some of Canada's most spectacular scenery, including our Aurora Borealis. We have arts and crafts and unique, rich cultures that we are proud to showcase to the world.

And we sit adjacent to western provinces that share our strengths in natural resources. A powerful economic bloc. We want to be part of that economic success.

These opportunities offer us the prospect of greater economic development in the Northwest Territories. Development that will create more jobs for residents, create more opportunities for business, and result in an even better quality of life for Northerners.

We want to unlock the immense opportunities we have in front of us. But that will not happen by just sitting and waiting. It will not happen if we just hope. It will certainly not happen if we continue to do things the same old way.

Instead, it will take targeted actions and investments. That is the course this Budget sets us on.

Last fall, one of our first tasks as Members of the 16th Legislative Assembly was to identify our vision and goals and develop our priorities for the next four years. Members have described a vision of the Northwest Territories as a place where strong individuals, families and communities share the benefits and responsibilities of a unified, environmentally sustainable and prosperous territory.

The Government, with input from all Members, has identified specific actions to address the Assembly's priorities, and to allocate the resources needed to achieve our goals.

In February, I laid out five strategic initiatives, based on the vision and priorities of this Assembly. These will be the focus of our actions, and our investment, in the years ahead.

The first is building our future – taking actions that focus on our children and youth, on promoting healthy choices, and on supporting families and seniors.

The second is reducing the cost of living – taking actions to address the high costs that stand in the way of achieving a better quality of life and affect our ability to grow and diversify our economy.

The third initiative is managing this land – taking action toward finding the right balance between development and protection of our land and resources, and making these decisions in the NWT.

The fourth is to maximize opportunities in the NWT – to open the door to new developments that contribute to the North. To improve the quality of education and training so that Northerners can take advantage of the jobs that are created here in the NWT.

And fifth, we will be taking action to refocus government – to achieve greater effectiveness and efficiency in how we operate as a government and in how we deliver programs and services to the people of the NWT.

The Budget I am introducing today begins to make the substantial investments needed to advance our priorities. It builds on our key existing programs and services, and moves our territory forward, toward our vision and goals.

Fiscal Strategy

Now, Mr. Speaker, if we are to achieve the vision that Members have set, then we cannot continue to do business in the same old way.

Budgeting is always about making choices.

It is about determining what resources we expect to have and deciding, based on our priorities, how to allocate those resources to best achieve our goals. This means that sometimes we have to say no to things that are not priorities, or stop doing things that are not the best use of the money that's available.

Our five strategic initiatives will help unlock our opportunities and improve life in the Northwest Territories. They will help us reach our goals. But we need to back up these initiatives with proper investment.

We need to align our budget so it's consistent with our vision. We are allocating appropriate resources to focus on our strategic initiatives, while establishing a solid fiscal foundation.

We have limited revenues in the Northwest Territories. And although they are growing, without changes our expenditures will grow faster. We face a situation where our operating expenditures have continued to eat into our revenue base, eroding our ability to fund important priorities like roads, schools and water treatment plants. If this isn't addressed, it will hurt our long-term financial position and our ability to invest in our strategic priorities towards building a better future will be compromised.

NWT residents know what it means to make financial choices.

Households and families deal with the same set of choices every day.

They know that if you spend money faster than you earn it, you will eventually end up in debt. That you'll end up using your credit cards for day-to-day expenses – like rent and food. And that you won't have any extra cash along the way to make major investments that improve your standard of living, like buying a truck or renovating your home.

Worse yet, if you haven't put your financial affairs in order during good times, then it's even more difficult and disastrous when rough times arrive.

We all know that's not a prudent way to secure the futures of our families.

Securing the future of our territory is no different.

The Government of the NWT is forecasting annual revenues of more than $1.2 billion per year over the next four years. But without action on our expenditures, we will be running operating deficits and borrowing to pay for our day-to-day expenses. That's no different from a family maxing out its credit cards.

If our expenditures grow at the rate they have over the last four years, then by the end of 2011-12, this government will be almost $500 million in debt. And along the way we will have no money to invest in our strategic initiatives. No resources to help achieve the vision and goals set by this Assembly.

This is clearly not in the long-term interests of Northerners.

We have little flexibility on the revenue side of the budget.

New Territorial Formula Financing arrangements established by Canada in 2007 will provide a predictable, principle-based funding source for our government. But these arrangements will not change in the near future and we are not expecting additional revenues.

Although the NWT's prospects for economic growth are bright, we cannot expect all of this to translate into comparable revenue growth for our government. Much of the benefit of economic activity in the NWT "leaks" out to other jurisdictions. Under our funding arrangements with Canada, 70 cents of every new dollar of revenues is clawed back from our Formula Financing Grant. And resource royalties continue to be paid to the federal government, not to NWT governments.

We continue to pursue devolution and resource revenue sharing with the Government of Canada. I have raised this issue over the past few months with the Prime Minister, the Minister of Indian and Northern Affairs and with NWT Aboriginal leaders.

However, we must be realistic and recognize that we cannot build budgets around money we do not yet have. A resource devolution agreement will likely not produce additional revenues during the life of this Assembly. And even if we had an agreement today, resource revenues alone would not be sufficient to overcome the higher growth in our expenditures.

Our fiscal strategy includes looking at tax options, but we know that we cannot solve our fiscal situation solely by increasing taxes on NWT residents and businesses. This would

discourage business investment and economic growth, and it would leave individuals and families with less money in their pockets at a time when the costs of living are rising.

So we must act on the expenditure side. We must bring our rate of spending growth into alignment with our rate of revenue growth.

We must take steps to live within our means.

Some would have us postpone taking action. Some ask, "Why now? Expenditures may be rising, but we're still in surplus. Times are good."

Well there's a saying I've heard:

"The rich man plans for tomorrow; the poor man for today."

Mr. Speaker, this government is planning for tomorrow.

We don't want to wait until we slip into deficit and debt and we're forced to act. We don't want to wait until our financial flexibility is gone and our choices have run out. We don't want to take action at the highest possible cost when the impacts would be most devastating. And we don't want to squander the incredible opportunities we have in front of us.

We are taking action today so that we can secure the prosperity we're enjoying. So that we can lock in our current achievements with a budget that is sustainable in the long term.

And so that we have resources to invest in our priorities and build the great Northwest Territories of tomorrow.

This Budget takes a balanced, realistic approach that involves reallocation of some spending to allow us to make new investments; that starts to bring our rate of expenditure growth in line with our rate of revenue growth; and that contemplates a responsible level of borrowing to permit investment in badly needed infrastructure.

Budget 2008-09 Highlights

Let me now turn to the highlights of this Budget.

The 2008-09 Budget is a balanced budget, projecting a small operating surplus of $13 million.

For the coming fiscal year of 2008-09, the government is estimating revenues of $1.23 billion.

Relatively stable Territorial Formula Financing arrangements were an important planning assumption in setting our fiscal strategy over the next four years. The Grant from

Canada will be $805 million in 2008-09, an increase of just over 2 per cent from 2007-08.

This Budget proposes 2008-09 operating expenditures of $1.217 billion. This represents almost $28,000 per NWT resident to deliver programs and services that meet the needs of the residents of this territory.

This is an operating expenditure increase of $64 million, or about 5.5 per cent, over the 2007-08 Main Estimates. This includes $45 million to address increased social program costs, to meet higher fuel costs, and to meet our obligations to employees under our collective agreements.

This Budget builds a stronger Northwest Territories by making a substantial commitment to invest in our people and the infrastructure that supports communities, economic activity and the programs our residents rely on.

This Budget includes $72 million to support investments in the priorities of this Assembly. These investments will be funded by offsets in other spending areas - $32 million in sunsetted programs and $35 million in expenditure reductions in 2008-09.

It also invests $180 million in public infrastructure, including contributions to community infrastructure projects. We will not, however, need to borrow for this investment in 2008-09. Our total debt at the end of 2008-09 is projected to be $158 million, most of which is the long-term debt of the NWT Power Corporation and the NWT Housing Corporation.

The Government's medium term outlook anticipates moderate operating surpluses while making significant inroads into our territory's infrastructure and other investment needs. To achieve this, we will be capping forced growth, excluding compensation and benefits, at 3 per cent per year. We will be looking for additional savings on the expenditure side, and we will be looking at initiatives to increase our own-source revenues.

We will undertake over five hundred million dollars in infrastructure investments over the life of this Assembly, investments that will improve the quality of life for NWT residents and encourage economic growth.

We will, quite literally, be building tomorrow's future.

This Budget is realistic, balanced and responsible. It falls within our *Fiscal Responsibility Policy*, which continues to guide our budget planning based on sound principles of financial management. Implementing our fiscal strategy means that, by the end of 2011-12, the GNWT will have incurred only $17 million of new debt. But we will not be borrowing to fund our day-to-day expenses.

This Budget provides a framework to ensure we maintain a sound fiscal position. One that will allow us to deliver affordable programs and services and invest in needed infrastructure within fiscally sustainable levels of financing.

After taking into account expenditure changes, new initiatives and additional capital investment, we expect that this Budget will have a positive impact on the NWT economy, including job growth.

Revenues

Mr. Speaker, this Budget includes no changes to NWT tax rates for 2008-09.

The Government's fiscal strategy includes the generation of $10 million in new revenues, starting in the 2009-10 fiscal year.

Although $10 million represents a relatively small proportion of the GNWT's revenues, any tax measure will affect the cost of living or doing business in the NWT. It is important that the revenue measures we take are consistent both with this Assembly's overall goals and with sound tax policy.

Following consultation with Regular Members, we will be releasing a revenue discussion paper this summer for public comment. Focussing on the GNWT's major current and potential revenue sources, the paper will describe the revenue options available to the GNWT, placed in the context of the vision and goals of the 16th Legislative Assembly, our strategic initiatives, the principles of sound tax policy, and our *Macroeconomic Policy Framework*. The paper will seek input on how we should address the revenue side of our budget plan. Decisions on revenue changes will be announced following this consultation.

Expenditures

Mr. Speaker, in order to bring our expenditures into line with our revenue growth, we are planning to realign $135 million in expenditures. As of this day, we have identified $75 million over the next two years, and have put in place processes to identify the remainder. But let me be very clear. This is not simply about cuts. It is about realignment of our budget and substantial re-investment.

The Government will pursue a sustainable fiscal strategy for the Northwest Territories – one that will allow us to re-invest millions of dollars in the future of our territory, our communities and our residents.

We intend to do business differently and become more efficient. We will make process changes to foster good financial planning and produce long-term fiscal savings.

In the course of our financial realignment, we are keeping a number of criteria in mind. We are minimizing the impact in the priority areas identified by Members. And we are identifying areas where money not used in the most efficient way could be used more effectively to support our strategic initiatives and invest in Northerners.

We recognize that budgetary adjustments can have a very real impact on people – both program users and GNWT staff. We value our employees. We need their skills and experience, and we are making every effort to accommodate affected staff within our government's *Staff Retention Policy*.

New Investments – Northerners Working Together

Mr. Speaker, let me turn now to the key investments this Budget makes in the future of the NWT.

As I described earlier, the government has laid out five strategic initiatives that are the focus of our government's investments. Over the long term, these investments will help improve the lives of Northerners, foster greater economic development in the Northwest Territories, and unlock our tremendous opportunities.

Building our Future

The future success of the Northwest Territories will depend on developing the skills, talents and abilities of our residents. This Budget invests $18.6 million to create an environment where Northerners can do their part to develop their full potential. The Honourable Michael McLeod will be coordinating the government's strategic actions in this important area.

It is difficult to imagine anything more key to our future than providing our children and youth with a solid foundation on which to build their lives. Nearly $5 million will be spent to expand programming for children and youth.

The proper investments now will increase attendance and completion rates in our K-12 school system. This Budget invests $1 million in 2008-09 to improve the quality of early childhood programs in the NWT. We will extend the Language Nest Initiative, increase regional Early Childhood Programming staff and create an Early Childhood coordinator position to build linkages between early childhood programs and the formal school system.

This Budget also invests $300,000 in 2008-09 to develop a plan to increase the enrolment and completion rates of the Teacher Education Program. Our goal is to provide access to programs and practicum placements in communities, and additional learning supports. Ultimately, this will increase the number of Aboriginal teachers in the NWT school system.

In partnership with the Government of Canada, this Budget includes $1.6 million to support minority language instruction. We also recognize that schools need qualified instructors to successfully deliver Aboriginal language and culture programs, and therefore this Budget provides $120,000 to fund a full-time Language and Cultural instructor at Aurora College.

This government currently funds a number of youth development areas such as on-the-land and entry-level skills programs. This Budget contributes to the costs of youth activities by continuing the new $250,000 investment to support communities and other organizations that operate youth centre programs. This Budget also includes $125,000 to fund a permanent school-based Take a Kid Trapping program.

We know that the quality of the school infrastructure that children attend can have a significant effect on the quality of their education. Mr. Speaker, this Budget invests $25 million in much-needed school replacements, renovations and upgrades in 2008-09.

Families and extended families have the first responsibility to help their children grow and develop to their full potential. But sometimes they need help. Foster parents can provide safe, caring homes to children who require long-term, temporary or emergency placements. This Budget invests $1 million to rationalize and standardize foster care rates. When this initiative is complete in 2009-10, we will have a foster care program that reflects the higher costs of supporting a foster child in smaller communities and ensures appropriate services are available to children across the entire Northwest Territories.

Children with disabilities should have the opportunity to develop to their full potential. Therefore, this Budget invests $224,000 in 2008-09 to provide planned relief for families that care for children with disabilities.

We will improve the quality of life for our adults with severe cognitive and behavioural challenges by keeping them closer to home and their families. This Budget invests $571,000 in additional operating funds for group homes and a day program in the NWT.

Building our future is also about helping people make healthy and productive choices. This Budget also includes $100,000 in 2008-09 to continue the *Healthy Choice* programs geared to improving the health of NWT residents and reducing long-term health and social service costs.

We are continuing our long-term health reform fund with $3.1 million to enhance nursing resources in small communities and expand nurse practitioner training. We will also be reducing patient wait times through a one-time $1.8 million investment in an on-the-job community health nurse development program. Investments of $7 million in electronic health records management and imaging archive technology will improve health service delivery.

We are also investing $25 million in health infrastructure, including $13 million for the territorial dementia facility in Yellowknife, $3.4 million for the Adult Supportive Living facility in Hay River and $2.5 million for the Northern Lights Special Care Home in Fort Smith.

While over the longer term we need to re-evaluate how we deliver health care services, Mr. Speaker, I want to reassure NWT residents that this Budget increases total spending for health and social services programs by almost $33 million over last year's budget.

In recent months, I have heard concerns that the Government might reduce the level of support that it provides to the recreation and sport system.

This Government recognizes that physical activity is a building block to personal health and well-being. An active and vibrant recreation program is a key component of a sustainable community, and promoting physical activity in all segments of society helps prevent lifestyle-related diseases and reduces health costs. I am pleased to announce that the Government is committed to maintaining a stable level of investment in this key area.

We also want to make sure our residents are not held back from reaching their potential by concerns about the safety and security of their communities. Family violence has created complex problems in our communities. This Budget invests $800,000 to increase the support services available to women and children experiencing family violence, and to stabilize existing shelters.

This Budget also invests $1.5 million to open additional police detachments and support increased police services in our communities. We recognize the pressures that community governments are facing in delivering ground ambulance and highway rescue services. This Budget includes $350,000 to support communities providing these services and to complete the development of a new policy and funding framework for integrated territorial delivery of these services.

Maximizing Opportunities

Mr. Speaker, the Northwest Territories continues to benefit from a healthy economy. At 13.1 per cent, the growth in the NWT economy was the highest in Canada in 2007. This healthy growth was driven primarily by the diamond mining sector. The NWT's three producing diamond mines contributed over $1.2 billion, or over 31 per cent, to our territorial GDP in 2007.

The NWT economy continues to show great promise. A fourth diamond mine is in the environmental assessment phase. Just as important, our oil and gas resources hold tremendous potential. When the Mackenzie Valley natural gas pipeline is built, it will be the single largest investment in the history of the NWT. It will launch a whole new era for our territory.

The Northwest Territories is in a unique position. We are experiencing new economic development opportunities while continuing to enjoy clean water, air and land, and abundant fish and wildlife. Striking the right balance between positive economic growth and the impact of that growth on our residents, our communities, and our environment will be crucial.

We will continue to pursue a balanced, diversified and sustainable NWT economy – one that smoothes the "boom and bust" cycles we have seen in the past. We will support Northerners to maximize the long-term benefits of major projects like the Mackenzie Gas Project.

Northerners must be able to take advantage of opportunities when they arise. This Budget proposes investments totalling $11.7 million in 2008-09 to maximize our opportunities. The Honourable Jackson Lafferty will be responsible for coordinating efforts for this initiative.

Improving our skills for working and living is essential to enable Northerners to seize opportunities as they arise. This Budget invests $4 million in training, including $1.2 million to support hiring apprentices in designated trades and occupations.

We want to help more women and Aboriginal people to become qualified trades people with increased opportunities. We are therefore investing an additional $100,000 to increase enrolments in apprenticeship programs.

This Budget provides $200,000 to expand the Aurora College Mobile Trades Training Unit to include the Inuvik campus and outlying Beaufort Delta trades facilities. We are investing $100,000 for a marine services training program so we can fill vital marine engineering positions.

We are emphasizing trades, technical and work-related skills in our classrooms by adding $2.8 million to the 2008-09 Budget to lower the pupil-teacher ratio in trades. This initiative will help students get a better understanding of the career opportunities in trades and develop better work-related skills and attitudes.

Mr. Speaker, this government supports efforts to diversify the economy and reduce our dependence on non-renewable resource developments. The tourism industry is the largest renewable sector in our economy and holds enormous potential for the future. Continued investments in this industry will support its expansion and growth and allow it to compete in the global marketplace.

This Budget invests $1.6 million in a Tourism Product Diversification and Marketing Fund. This Fund will provide assistance for research to identify existing and emerging markets, funding to individual operators for product development, planning and implementation, and assistance to Northwest Territories Tourism to promote the resulting new opportunities and markets. The Fund will encourage ecotourism, adventure and cultural product development but will not be limited to those markets.

NWT parks and visitor infrastructure are strategic assets which are integral to a successful tourism industry. This Budget will invest $3.8 million in parks infrastructure in 2008-09 as part of a four year plan to replace the flagship 60th Parallel Visitor Centre, to address the increasing demand for RV sites in our campgrounds, to address the deterioration of heritage buildings, and to establish a new territorial park under the *NWT Protected Areas Strategy*.

An additional $140,000 will be invested in the parks' operations and maintenance budget. We will also invest $250,000 in developing and delivering cultural and interpretive programs in parks throughout our regions. These programs will improve the park experience for our visitors and encourage them to extend their stay and enjoy other opportunities and experiences in the NWT.

Mr. Speaker, we recognize that the NWT's arts sector makes significant contributions to our economy while enhancing the quality of life of individuals and communities. NWT visitor surveys show that tourists also want to experience and learn about our northern culture and heritage. This Budget will increase support to NWT arts and cultural activities by $500,000 in 2008-09.

The 2010 Olympics provide an excellent opportunity for the NWT to showcase ourselves to the rest of Canada and the world. We believe we should use this event to support our other investments in marketing the NWT by promoting our territory as a place to visit and promoting our Northern artists and performers. This Budget provides one time funding of $67,000 to start to take advantage of this opportunity.

Small business is an important element of our northern economy. In every community, entrepreneurs provide goods and services to the public, industry and government. This Budget invests an additional $1 million to fund the new *Support to Entrepreneur and Economic Development Policy* that will replace both the Business Development Fund and Grants to Small Business policies, bringing the total program resources for 2008-09 to $2.4 million.

While we want to diversify away from dependence on large non-renewable resource developments, we also want to maximize the benefits of these projects for NWT residents. The Mackenzie gas pipeline is expected to trigger additional resource exploration and, like the diamond industry, result in economic spin-offs in other sectors – like manufacturing, retail services, and tourism. The opening of the Mackenzie-Beaufort basin to markets will generate even more economic activity than the construction of the pipeline itself. It will help expand and diversify our economy. And it will create jobs and opportunities for NWT residents.

Although the Mackenzie gas pipeline is still in the review phase, we must be prepared for this massive project. We need to ensure that we have the capacity to meet our responsibilities associated with the regulatory processes and our commitments under the Socio-Economic Agreement.

This Budget allocates $610,000 to allow us to meet these commitments and facilitate moving forward with the Mackenzie Gas Project.

We also need to ensure other economic potential in the NWT, such as our significant hydro potential, is explored. This Budget provides $3 million in contribution funding in 2008-09 to the NWT Energy Corporation to conclude the regulatory process for the proposed Taltson Hydro Expansion Project.

Managing this Land

Mr. Speaker, we depend on our water, land and natural resources for our wealth and our livelihood. Our future prosperity depends on the steps we take together now to protect our water and our land.

The Budget invests $6.2 million in 2008-09 to ensure that we use our land and water resources in a sustainable way that protects these resources for future generations. The Honourable Bob McLeod will take the lead in advancing this strategic initiative.

Community water supplies in the Northwest Territories are abundant, but challenges do exist. Four GNWT departments will work together to implement the *Action Plan for Drinking Water Quality in the NWT*. This Budget proposes an additional $425,000 to address the highest priorities in the Action Plan not covered under current funding. This includes technical support for community water treatment plant upgrades, and continuation of training programs for community water treatment operators.

The NWT has energy literally blowing in the wind that could help reduce our greenhouse gas emissions. Although past attempts to harvest wind energy have not succeeded, technology in this area has improved significantly. This Budget will invest $200,000 in

2008-09 to develop a business model and conduct engineering studies for the installation of operating wind energy turbines in 2009-10. The Budget also provides $450,000 to establish alternative energy pilot projects in communities.

Other alternative energy sources will also be explored. In total, $2.2 million has been allocated to continue projects already underway, including:

- $900,000 to advance three mini-hydro projects for Deline, Whatì and Lutselk'e,
- $135,000 to convert the NWT Department of Transportation Fort Smith maintenance garage from oil to hydroelectricity,
- $485,000 to install wood pellet boilers in the Chief Jimmy Bruneau school in Behchoko,
- $110,000 for wood pellet pilot project feasibility studies for communities, and
- $250,000 for a geothermal ground source heat pump project at Aurora College in Fort Smith.

This Budget also provides $250,000 for the Western NWT Biophysical Study and $350,000 to update the classification and mapping framework for the Southern and Northern Arctic ecozones.

We need stewardship actions to manage the effects of habitat change on NWT wildlife. We are proposing an investment of $1.4 million in 2008-09 to continue the work for the *Barren-ground Caribou Management Strategy*, and to implement an *NWT Wood Bison Strategy*. We will also develop a better understanding of the cumulative effects of habitat change from exploration and development activities on species at risk.

Finally, we cannot manage this land without addressing how the land is governed. We need Northern control over our land and resources, including a resource revenue sharing agreement. This Budget will continue to fund this government's participation in devolution and resource revenue sharing negotiations with Canada and our Aboriginal partners.

Reducing the Cost of Living

Mr. Speaker, NWT residents, especially those in small and remote communities, face living costs that are among the highest in Canada.

Investments to reduce the cost of living will reap benefits for residents now and well into the future. Under the coordination of the Honourable Sandy Lee, this Budget invests $24.7 million on initiatives to reduce the cost of living in the NWT. This includes $18 million to improve the quality and cost of shelter through:

- An investment of $17.1 million from the Northern Housing Trust in home construction in communities across the Northwest Territories, and
- $400,000 to develop an *NWT Hydro Strategy* to find ways to reduce the cost of energy for northerners.

We will directly target the factors that impact the cost of goods including $800,000 for energy awareness programs. We will invest $100,000 to develop options to reduce the cost of electricity regulations and delivery of the GNWT's Territorial Power Support program.

We will improve transportation access to communities.

The GNWT's transportation investment strategy aims to balance transportation infrastructure investments across the NWT to address key priorities in each region. Through the Capital Plan, this Budget invests over $55 million in transportation infrastructure across the NWT - $34 million in highways and roads, $6 million for winter roads, and $15 million for airport infrastructure improvements. In addition, this Budget invests $200,000 to speed up Dempster Highway ice crossing construction so the highway is open to commercial vehicle traffic sooner in the season.

Mr. Speaker, this February our government signed a Framework Agreement with Canada that set the stage for over $185 million in infrastructure funding to flow to the Northwest Territories over a seven-year period. I am pleased to advise this Assembly that we are close to signing a Funding Agreement, which is one of the final steps required.

This funding will provide a much-needed injection of almost $140 million for critical transportation infrastructure needs across the NWT. It will allow us to address urgent priorities like replacement of the Kakisa River Bridge. It will enable us to move forward in partnership with the City of Yellowknife on the Kam Lake bypass road project. And it will allow our Government to respond to the long-standing need in Tuktoyaktuk to develop an access road to the gravel source at kilometre 177.

A further $45 million will be used to support infrastructure needs in our communities. Of this, $7.6 million will be allocated to address urgent upgrades to water treatment plants.

An additional $35 million will be transferred to community governments on a formula basis for locally identified priorities in eligible categories.

Finally, a portion of the funding will be used to enhance the government's ability to conduct much-needed research into the impacts of climate change on transportation and community infrastructure, and to develop prevention and mitigation strategies.

Through cost-sharing with Canada, the Government of the Northwest Territories will leverage millions of dollars in infrastructure funding for our territory. This will help stabilize transportation costs and reduce the costs of living.

Mr. Speaker, this injection of funding to support community infrastructure, combined with the government's commitment to stable, on-going infrastructure funding for community governments under the New Deal, will result in an increase of 254 per cent in funding available for community infrastructure over a six year period.

This is real tangible action to reduce the cost of living in the NWT.

Now, even with these investments, the reality is that high costs represent an even greater hardship for low-income seniors with fixed incomes.

This Budget supports those seniors with $155,000 in additional funding for the Senior Citizens Supplementary Benefit.

Last year, the Government announced a change in the focus of the income security program - from a program of last resort to one that provides adequate financial assistance for basic needs and supports people to achieve self-reliance. We are proposing a $6 million investment in this Budget to fund the changes in the GNWT's income security programs.

Refocusing Government

Mr. Speaker, the GNWT does not have unlimited financial resources and cannot try to meet every demand or need. We must live within our means and ensure that our resources are directed to the programs, services and infrastructure of highest priority and benefit to Northerners.

As a government, we have a number of key challenges that still need to be addressed to ensure our long-term fiscal stability. Considerable progress has been made during these last few months and is reflected in this Budget. But our work is by no means done.

I have made a number of references to the fact that we need to change the way we do business as a government. This is something that cannot be done in a few short months. We need to review how this government operates, how we set priorities, how we deliver services, and how we make sure we're getting the best value for the dollars we spend.

Our first step is to begin conducting program reviews on an on-going basis to ensure that GNWT programs and services have adequate resources and are meeting their intended objectives. This Budget will establish a Program Review Office whose objective will be to work closely with departments to identify approaches to managing expenditure pressures. The review will look at procurement, travel practices, and growth in program spending. Over the long term, it will suggest ways to make specific programs and services more effective. We will ensure policies are in place to support routine and effective use of program evaluation by all departments and agencies.

We also need to look at how we can deliver services to our residents more effectively. This includes how we are organized to deliver services and how and where services can be delivered. As a first step, we will be developing specific plans for structural reform of key GNWT boards during this fiscal year, focusing initially on education, health and social services and Local Housing Organization boards.

We must also improve how we manage our human resources. We need to ensure we use this most valuable resource to its full capacity. We must develop recruitment and retention plans to ensure we have the skills and talents that we need. All NWT governments, whether territorial, community or Aboriginal, face many of the same human resource challenges. We will be looking for innovative approaches to address these challenges.

The Honourable Michael Miltenberger will be coordinating the Refocusing Government initiative. We look forward to consulting with stakeholder groups on these issues to come up with solutions that meet the needs of our territory well into the future.

Finally, we need to change the GNWT's approach to the way we invest in infrastructure. We lack a guiding framework for infrastructure planning and acquisition. Much of our existing infrastructure is aging. Many of our large projects cost more than we initially estimated, in large part due to the overheated western Canadian construction market. And although we welcome federal infrastructure dollars, we need a process to ensure that they support, rather than distort, territorial and community investment priorities and decision-making.

Some changes to infrastructure investment will be made right away. This Budget provides $7.65 million in 2008-09 to address the need for maintenance and to maximize the useful life of existing government buildings. In the longer term, this government will develop new approaches to planning for, acquiring, and delivering the infrastructure required for GNWT programs and services.

The cost of government operations, including capital construction, has increased dramatically in recent years as a result of inflation, labour supply and limited competition. We need to bring these costs under control, in part by making sensible policy changes. These could include changing the timing of the capital budget, improving internal coordination, using standardized designs, and altering procurement practices to increase competition for capital projects.

The GNWT intends to consider the elimination of the *Business Incentive Policy*, particularly its application to capital project contracts, while maintaining its commitment to local and northern purchasing. Over the coming months the GNWT will conduct the appropriate consultations leading to changes for implementation in the 2009-10 fiscal year.

Looking Forward

Mr. Speaker, this Budget includes the work of all Members through our vision, goals, and priorities process last winter, and the consultative processes of the Legislative Assembly between Cabinet and Standing Committees.

I would like to thank my Cabinet colleagues for their efforts to come up with a plan for this government that sets the solid fiscal foundation we need to grow as a Territory.

The Budget describes the investments we will be making this fiscal year. But we also need to look ahead to future years, and future investments. We need to ensure the investments we make in our people, in the land, and in the economy, are guided by long-range plans. Sustainability comes from developing broad plans, consulting with other governments and the public about the appropriateness of those plans, and then sticking to them.

Our plans will advance this Assembly's priority to support a healthy and sustainable voluntary and not for profit sector. The GNWT needs to ensure appropriate support for the non-government organizations (NGOs) that deliver services to NWT residents on our behalf. This year we will complete our NGO funding policy and prepare needed training materials for GNWT staff.

We want to do a better job in supporting the voluntary sector. To do this, the GNWT needs to clarify our relationship with the sector, assign responsibility accordingly, and identify and implement concrete actions. Our government will also support the voluntary sector through promotional activities, updating the Outstanding Volunteer Awards Program, and simplifying our funding application and reporting forms.

One-time funding of $100,000 will be provided in 2008-09 to develop a land use framework that ensures all GNWT land use decisions are guided by a common territorial approach that supports the political, economic and environmental interests of the NWT.

This Budget also sets aside $130,000 to develop and implement water management initiatives, including negotiations on a trans-boundary water agreement with Alberta and the development of an *NWT Water Strategy* to guide our investments in protecting our most precious natural resources.

Mr. Speaker, in 2007, the GNWT adopted a *Macroeconomic Policy Framework* to guide our investments in the NWT economy. The next step in setting out our economic roadmap will be to develop a long-range economic investment plan. Using the criteria set out in the Framework, we will evaluate the potential impact of investments in the various sectors of our economy. This work will also guide our decisions regarding the investment of $4.2 million provided by Canada this year through the Community Development Trust.

We plan to develop a framework for a longer-term strategy on how the GNWT can increase flexibility and responsiveness at a regional and community level. The Honourable Norman Yakeleya will oversee the work on this initiative.

Finally, we will strengthen our relationship with our Aboriginal partners in the NWT by meeting regularly with regional Aboriginal leadership. We want to work together on a government-to-government basis to bring our common issues to the table, for the benefit of our Territory.

Conclusion

Mr. Speaker, the Northwest Territories is evolving, changing, and positioning itself to be an important economic engine of tomorrow.

We want our land to be a thriving, self-sufficient place where our residents are healthy, educated, and able to participate fully in the economy.

We want to capitalize on the raw, untapped power of our natural resources, without damaging the environment that our people are so strongly connected to.

We want the Northwest Territories to lie at the heart of a new North that is innovative and enterprising.

And we want to seize the incredible opportunities we have in front of us and chart our own destiny.

In the coming months, this government will actively pursue those opportunities.

We will meet and work with other Canadian governments, including provinces and territories, regarding our priority issues – like devolution and resource revenue sharing, the Mackenzie Gas Pipeline and the Mackenzie Valley Highway.

We will actively solicit new investment to foster greater economic development.

And we will pursue new and creative hydro development, wind power and other alternative energies that will help reduce our costs of living while keeping our land, air and water clean.

These and other opportunities stand to build us a great future.

Mr. Speaker, this Budget is the first step towards seizing those opportunities and charting that future.

It puts our government and our Territory on a sound, sustainable financial footing by making smart choices during good times.

It makes substantial investments in our key initiatives so we can achieve our vision for the Northwest Territories. As a place where strong individuals, families and communities share the benefits and responsibilities of a unified, environmentally sustainable and prosperous territory.

It places a new significant emphasis on building infrastructure that will help lower costs of living, improve the lives of Northerners, and encourage economic development.

And it secures what we have today while strengthening the foundation for a bright future.

Mr. Speaker, I am confident this Budget sets the right fiscal course to achieve the goals of this Assembly. This will be my last Budget as Finance Minister. I will now put my focus on bringing the message of our Territory and our people to those that need to hear it.

Thank you.

Budget Address
2008 - 2009
NORTHWEST TERRITORIES

BUDGET PAPERS

A♦ Economic Review

B♦ Fiscal Review

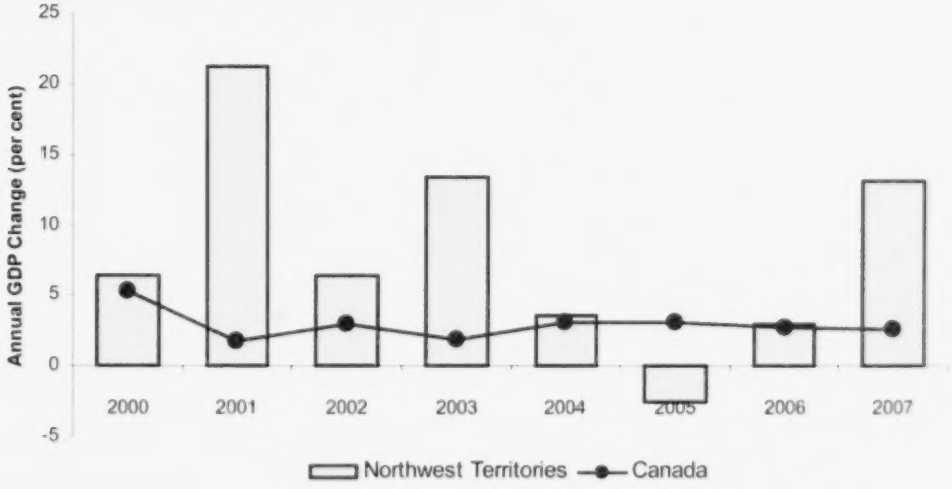
May 22, 2008

Northwest Territories Economic Outlook

2007 Gross Domestic Product

The economy of the Northwest Territories grew by 13.1 per cent in 2007, well above the national rate of 2.3 per cent and returning to its post-division levels of performance after a three-year pause from 2004 to 2006.

Growth in Real GDP chained (2002) dollars



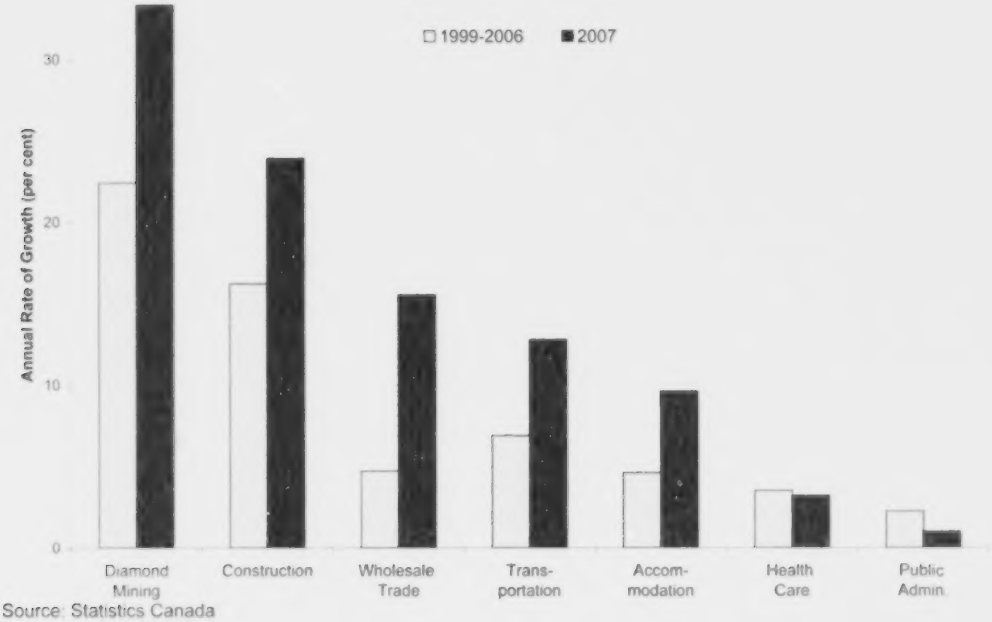
Source: Statistics Canada

Since the development of the first diamond mine at the end of the 1990s, the main economic driver of the NWT economy has been the diamond mining industry. In 2007 the value shipments by the NWT diamond mining industry increased by 33.3 per cent over 2006, well above its average rate of growth between 1999 and 2006 of 22.4 per cent. Even though diamond prices were down, volumes were up significantly at the Ekati and Diavik mines. Snap Lake, the NWT's third diamond mine, also began production late in the year.

The construction industry also put in a strong performance during the year. It increased its contribution to the NWT GDP by 23.9 per cent over 2006, and, like the diamond mining industry, growing at a much faster pace than its 1999-2006 average rate of 16.2 per cent.

The wholesale trade and transportation industries also put in strong performances with increases to the NWT GDP of 15.5 per cent and 12.8 per cent respectively. Performance by these industries is strongly influenced by the diamond industry. Health care contribution to the NWT GDP increased by 3.2 per cent in 2007, slightly below its 1999-2006 average rate of 3.5 per cent. Public administration, which includes local, territorial and federal governments, grew at 1.0 per cent, less than one-half of its 1999-2006 growth rate of 2.2 per cent.

Growth Rate of Selected NWT Industries chained (2002) dollars



Source: Statistics Canada

Economic trade between the NWT and the rest of the world continued to grow in 2007, but at a reduced rate from recent historical levels. Exports to other countries increased by 9.3 per cent, below the seven-year average growth rate of 13.6 per cent. Growth in imported goods and services stayed roughly the same, at 11.4 per cent in 2007 compared to 12.1 per cent from 1999 to 2006. The net effect was continued growth in the NWT's balance of trade with the rest of the world, but at a decreasing rate, from $762 million in 2006 to $812 million in 2007.

The NWT imports more goods and services from the rest of Canada than it exports to the provinces. The trade balance with the rest of Canada declined slightly, by 3.5 per cent in 2007. Nevertheless, this represents a slowing in the growth of the trade imbalance with Canada. The trade imbalance grew at an average rate of 11.5 per cent from 1999 to 2006.

Consumer and government expenditures continued to increase at levels in line with recent historical growth rates. However, business investment in machinery and equipment fell 18.2 per cent in 2007, well below its average growth rate of 12.7 per cent from 1999 to 2006. This decline is largely due to the completion of the Snap Lake diamond mine in 2007.

On average, corporate profits and wages and salaries account for just over two-thirds of the NWT economy. Between 1999 and 2007, wages and salaries increased at a fairly stable rate of 7.4 per cent per year. However corporate profits have been very volatile, with annual changes ranging from a decline of 24.1 per cent in 2005 to an increase of 75.6 per cent in 2003. Corporate profits are very sensitive to the value of gross sales from the diamond mines. In turn, the value of gross sales depends on the quality of diamonds recovered, the international selling price of diamonds, and the exchange rate of the Canadian dollar in terms of the US dollar. Diamond prices are quoted in US dollars. Exchange rate movements between the Canadian dollar and the US dollar therefore affect corporate profits from NWT diamond mines and the selling margin must absorb the entire exchange rate movement, contributing to the volatility of corporate profits.

The health of the international economy is of immediate importance to a commodity-based economy such as the NWT's economy. Over the last year the international economy has come under stress.

The International Monetary Fund projects global economic growth to slow to 3.7 per cent in 2008: 1.25 percentage points lower than the growth recorded in 2007. Moreover, growth is projected to remain broadly unchanged in 2009. The U.S. economy is expected to tip into a mild recession in 2008 as the result of mutually reinforcing cycles in the housing and financial markets, before starting a modest recovery in 2009. By contrast, growth in emerging and developing economies has been less affected by financial market developments and has continued to grow at a rapid pace, led by China and India, and, it is expected to remain robust in both 2008 and 2009.

After years of strong economic performance, Canada's growth is expected to slow this year as the slowdown in the U.S. economy outweighs solid domestic demand supported by strong commodity prices. Slumping real net exports pulled real GDP growth down to (annualized) 0.8 percent in the fourth quarter of 2007 despite buoyant domestic spending. A sharp spike in cross-border shopping by Canadians contributed to the weaker external picture. This was a response to the Canadian dollar reaching parity with the U.S. dollar, making price comparisons easier and putting downward pressure on consumer-price inflation. Overall, growth is projected to decelerate to 1.3 per cent in 2008 and pick up only slowly to 1.9 per cent in 2009.

Economic Outlook 2008

NWT 2008 GDP is expected to decline to 2006 levels in concert with the expected performance of the diamond mining industry. The 2008 outlook for the NWT diamond mining industry is affected by a number of factors. Costs are expected to increase as more production is shifted from open pit to the more expensive underground extraction process. These higher costs will be offset to some extent if the Canadian dollar maintains or improves on its near-parity level with the American dollar and the Canadian dollar cost of imported equipment and machinery is reduced.

The strengthening Canadian dollar will reduce the net balance between costs and revenues and therefore will reduce forecast corporate profits and/or capital cost allowances. Reduced corporate profits and capital cost allowances directly reduce NWT GDP.

Completion of construction of the Snap Lake diamond mine will also contribute to the slowing economy. No new capital investments of a similar size are being undertaken in 2008, reducing the construction industry's level of activity compared to last year. Lower construction activity will be partly, but not wholly, offset by the new production from the mine itself.

Lower consumer demand for diamonds in the United States may lead to lower prices for rough diamonds. The U.S. currently accounts for almost one-half of the world market for polished diamonds. However, new consumers from emerging countries such as China and India are creating new demand for diamonds.

Over the medium term, the prospects for continued economic growth in the NWT are substantial. If the proposed Mackenzie Gas Project is approved and constructed, the resulting economic impacts would be significant for the NWT and for Canada as a whole. The NWT economy would receive a further boost, after the initial construction phase of the project, through further exploration and development of the Territory's substantial oil and gas resources. Between 2002 and 2040 it is estimated that Mackenzie Delta field and pipeline development will increase NWT GDP by between $34 billion and $126 billion in 2007 dollars. Over the same period, employment opportunities in the NWT will increase between 30,805 person-years and 68,177 person-years. A fourth diamond mine is in the environmental assessment phase and mining exploration is being maintained at high levels.

Employment of NWT residents fell from 22,800 in 2006 to 22,600 in 2007 and is projected to decline by 4.9 per cent to 21,500 in 2008.

Average weekly earnings increased 3.2 per cent from $973 in 2006 to $1,005 in 2007, and are forecast to grow 3.2 per cent to $1,037 in 2008.

Consumer price inflation in Yellowknife (NWT-wide figures are not available), which has averaged about 2 per cent annually in recent years, has accelerated modestly. Consumer prices increased 2.9 per cent in 2007, and are forecast to grow by 2.8 per cent in 2008.

The 2008 NWT Budget is mildly stimulatory with a modest increase in spending largely reflected in increased capital investment. The total impact on the NWT economy is expected to be 250 more jobs, and an additional $36 million in NWT GDP.

These impacts include the direct effects of new program spending and capital investment and the increased business for companies providing support services to the government's programs. They also include and the increased business for the consumer wholesale and retail sectors that benefit because of the increased wages and salaries. The increased employment will be shared by public and private sectors.

Northwest Territories Economic Indicators

INDICATOR	2005	2006	2007	2008(F)
Gross Domestic Product, chained 2002 ($) millions	3,473.0	3,575.0	4,045.0	3,518.0
% change	(2.5)	2.9	13.1	(13.0)
Total Investment, chained 2002 $ millions	1,485.0	1,733.0	1,959.0	1,543.0
% change	17.3	16.7	13.0	(21.0)
Consumer Expenditures, chained 2002 $ millions	1,130.0	1,173.0	1,223.0	1,268.0
% change	2.9	3.8	4.3	3.7
Government Expenditures, chained 2002 $ millions	1,144.0	1,140.0	1,168.0	1,132.0
% change	0.0	(0.3)	2.5	(3.1)
Exports, chained 2002 $ millions	2,430.0	2,396.0	2,751.0	2,315.0
% change	(5.6)	(1.4)	14.8	15.8
Imports, chained 2002 $ millions	2,706.0	2,838.0	3,003.0	2,773.0
% change	11.9	8.0	18.6	(7.7)
Employment, number of persons	23,022.0	22,283.0	23,360.0	21,500.0
% change	3.3	(3.2)	4.8	(4.9)
Average Weekly Earnings, dollars	961.0	974.0	1,004.0	1,037.0
% change	3.7	1.3	3.2	3.2
CPI All-Items (Yellowknife, 2001 = 100)	107.7	110.8	112.3	113.9
% change	2.3	1.3	2.9	2.8

Sources: Statistics Canada
NWT Department of Finance
(F) Forecast

Commodity Prices and Exchange Rates

Commodity markets have continued to be strong despite slowing global activity. Strong demand from emerging economies, which has accounted for much of the increase in commodity consumption in recent years, has been a driving force in the price increases. At the same time, supply adjustments to higher prices have lagged, notably for oil, and inventory levels in many markets have declined to medium to long-term lows. The recent run-up in commodity prices also seems to have been at least partly due to financial factors, as commodities have increasingly emerged as an alternative asset class.

Increased demand for base metals, in particular from China, has lifted prices for those commodities to their highest levels in many years. Because metals prices were so low for so long, investment was neglected, and this has allowed prices to increase further in the face of increasing demand as metals stockpiles were reduced to their lowest levels in decades. Although new investment has subsequently been undertaken to meet current demand, it is not expected to lead to additional supply for several years.

Canada, as a major exporter of commodities, has benefited from a terms-of-trade improvement (an improvement in the ratio of export to import prices). This has led to an increase in Canadians' real incomes and a large increase in the value of the Canadian dollar relative to the US dollar and also to many other major international currencies.

The outlook for commodity prices in 2008, and therefore in large measure the Canadian dollar, depends on whether demand for energy and metals holds up under increased prices and the slowdown of the American economy. The current commodities cycle was driven by strong economic growth in Asia, particularly the Chinese and Indian economies, and what had been, until very recently, a resilient American economy. A number of serious challenges to the American economy emerged by the end of 2007 causing the U.S. Federal Reserve to take dramatic and historic actions to avoid serious economic disruption. Success of these actions for the American market, and the ability of the Asian economies to grow independent of the U.S. market, will have impacts on commodity prices going forward.

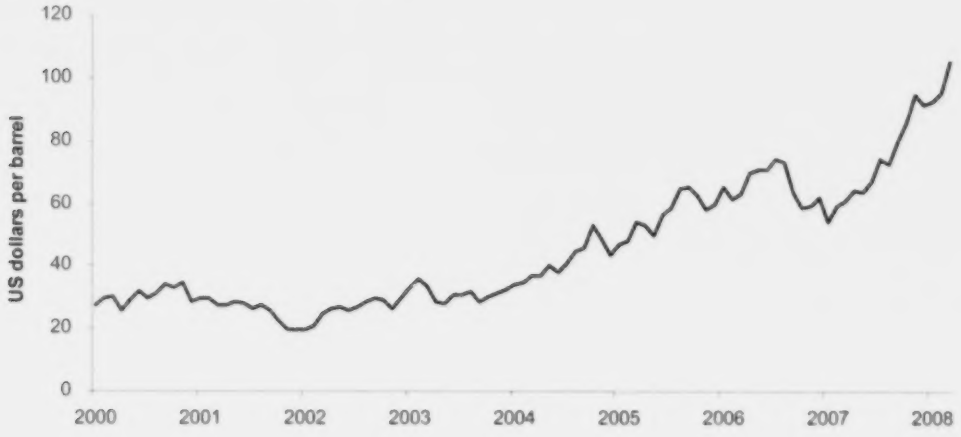
Oil Prices

After a pause at the beginning of 2007 oil prices continued their climb to record highs. Prices ended 2007 crossing the US$90.00 per barrel threshold for West Texas Intermediate (WTI), a 50 per cent increase from December 2006. During the first quarter of 2008, oil prices reached $125.00 per barrel.

Oil prices are being driven by increased demand from developing countries as well as a chronic lack of new investment in oil infrastructure. At its April 2008 meeting, the Organization of Petroleum Exporting Countries (OPEC) rejected calls to increase production levels in order to reduce prices.

As the following graph shows, oil prices remain much higher than over the recent past, which has led to continued oil booms in oil-producing countries, including Canada.

Price of Oil, West Texas Intermediate

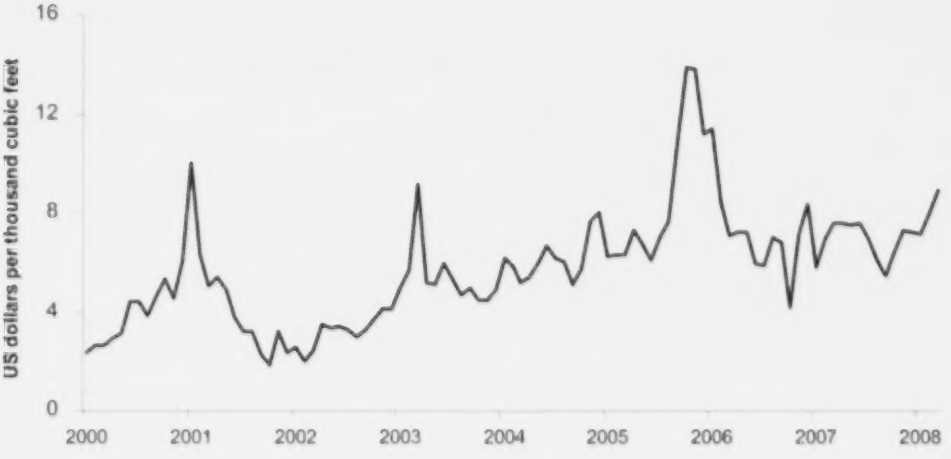


Source: Sproule Associates Limited

Natural Gas Prices

In the last quarter of 2007, natural gas prices surpassed the US$8.00 per million British thermal units (MMBtu) range price threshold at Henry Hub, Louisiana. Natural gas prices broke through the US$10.00 barrier in early April 2008. This is an improvement from the US$3.00 to $4.00 trading range during the late 1990s and early 2000s. The record high levels in 2006 spurred increased investment in natural gas developments that decreased as price levels declined in 2007.

Price of Natural Gas: Henry Hub NYMEX



Source: Sproule Associates Limited

Diamond Prices

Because each diamond is unique, it is difficult to track the prices of rough diamonds. DeBeers, the world's largest diamond producer, with 40 per cent of the market, announced that early 2008 prices for rough diamonds increased by 8.5 per cent. The price increase is a turn-around from lower prices in early 2007 that had fallen 9.6 per cent from early 2006.

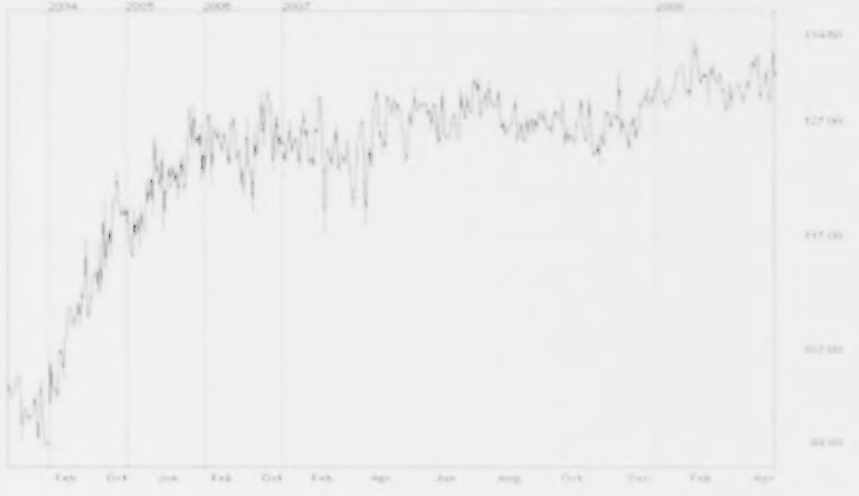
Supply shortages expected to put upward pressure on rough diamond prices in 2008 may be partially offset by reduced American demand. Currently the United States accounts for 55 per cent of the global market for polished diamonds, but growing demand from China and India is becoming increasingly important.

A diamond's value hinges on four characteristics, known as the "four Cs": colour, clarity, carat (weight) and cut. By controlling for these factors, it is possible to derive indices that approximate prices for diamonds of a certain quality, and to then derive an overall index that tracks movements in the prices of polished diamonds. PolishedPrices.com publishes a price index on its website using this approach.

The PolishedPrices.com website explains its methodology for the calculation of its polished price index as follows: "The PolishedPrices Indices are created by weighting each of the individual prices of transactions reported to PolishedPrices.com by an estimate of the total world production of polished prices over the ranges covered."

In the two years to January 2004, the index fell, but has since risen and is currently about 24 per cent higher than its low in January 2004.

Polished Diamond Price Index: Overall Index, January 2002 - January 2007



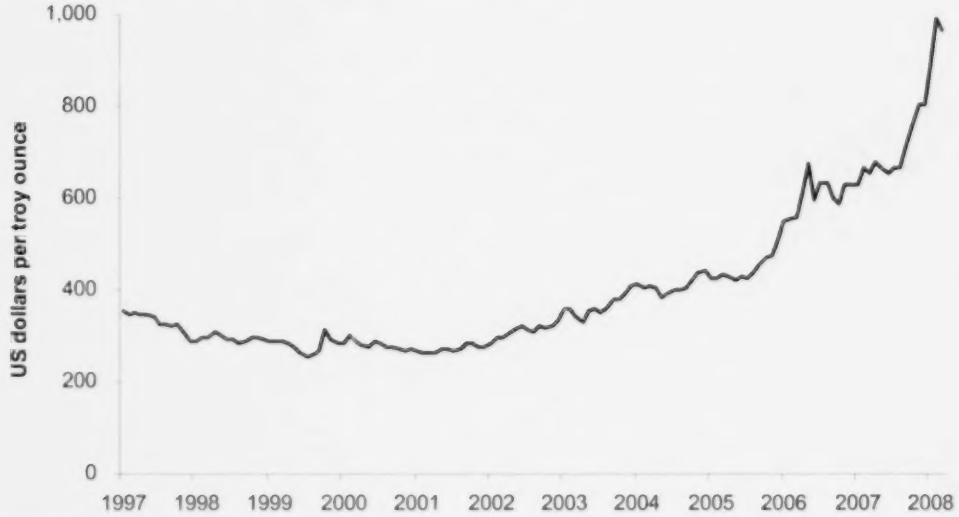
Source: PolishedPrices.com (reprinted with permission)

Gold Prices

Gold prices reached a new peak on March 17, 2008, closing at US$1,011 on the London market. The current run-up in the price of gold started in 2004 when it crossed the US$300 an ounce threshold. The price has continued to rise, ending 2006 at US$630 then closing 2007 at US$803. Gold prices have settled back from their March 2008 peaks, closing at US$879 on May 15, 2008.

The gold market is influenced by financial uncertainty and geopolitical conflicts. The weakening American domestic economy and ongoing dislocations in global financial markets are contributing to investors' uncertainty.

Price of Gold, 1997-April 2008



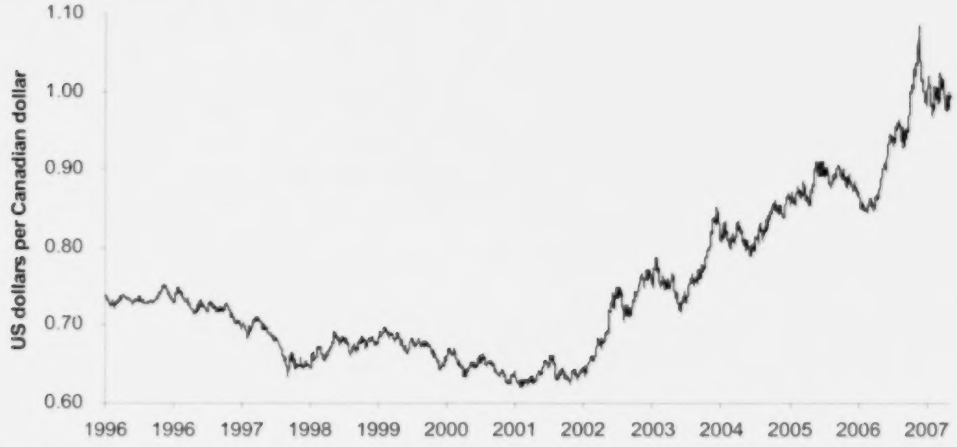
Source: Kitco Precious Metals

The Canadian Dollar

The value of the Canadian dollar directly affects the competitiveness of Canadian exporters and businesses that import equipment and material inputs to support their production of goods and services. Prices for internationally traded commodities are generally quoted in American dollars. Movements of the exchange rate will impact the value of sales for exporting companies. As the America dollar decreases in value the value of exports declines in terms of Canadian dollars, placing pressure on Canadian costs.

The value of the Canadian dollar peaked on November 6, 2007 at US$1.085/CA$ culminating a dramatic rise through 2007, well above its average value of 88.2 cents in 2006. The dollar has since settled in a trading range around parity with the American dollar.

US-Canada Exchange Rate (US$/C$) Since 1995



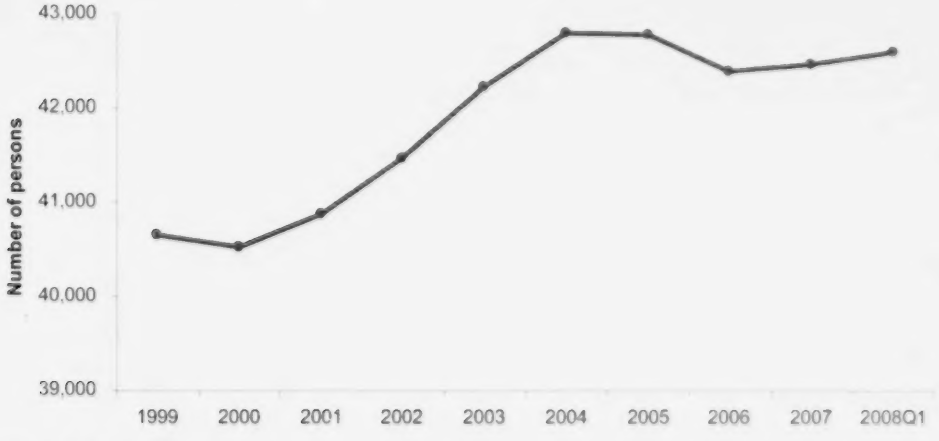
Source: Bank of Canada

The Economy

Population

The NWT population was estimated to be 42,594 in the first quarter of 2008. This represents an increase of 4.8 per cent since 1999. The population reached 42,800 in 2004, settled back to 42,397 in 2006 then recovered to 42,637 in 2007. The average annual rate of population increase since 1999 has been 0.5 per cent per annum.

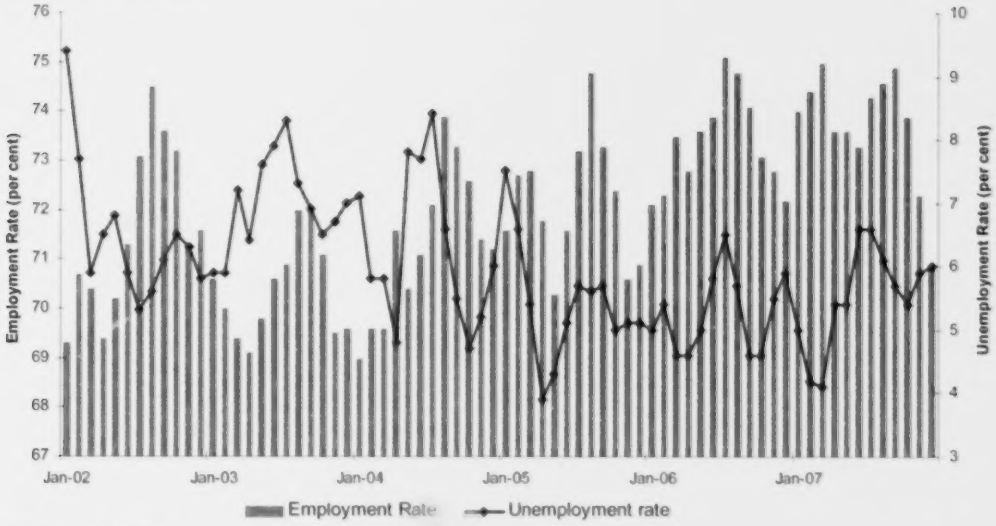
NWT Total Population



Source: Statistics Canada

Labour

NWT Labour Market



Source: Statistics Canada

Total employment in the NWT declined by 0.9 per cent in 2007, compared with increases of 3.7 per cent and 0.4 per cent in 2005 and 2006, respectively. The number of employed persons was 22,600 in 2007, an increase of 1,500 since 2002.

Other labour market indicators showed mixed results in 2007. The Territory's unemployment rate increased while the employment rate (the share of the working-age population with jobs) and the participation rate (the share of the working-age population who are in the labour market, either as employed or unemployed individuals) both rose.

The NWT's unemployment rate averaged 5.4 per cent in 2007, unchanged from the previous two years. The employment rate increased narrowly, rising to 73.6 per cent in 2007, compared to 73.5 per cent in 2006 and 72.2 per cent in 2005. The participation rate averaged 77.9 per cent last year, up from 77.4 per cent and 76.1 per cent in 2006 and 2005, respectively.

The NWT continues to compare favourably with the national employment market. The 2007 participation and employment rates were over 10 percentage points higher than the corresponding Canadian rates. The NWT's 2007 participation rate of 77.9 per cent compared to 67.6 per cent nationally, and the employment rate of 73.6 per cent compared to 63.5 per cent for Canada. The NWT's unemployment rate was 0.6 percentage points below the national average of 6.0 per cent.

Within the NWT, however, differences continue to exist between Yellowknife, other larger centres (Fort Simpson, Fort Smith, Hay River, Inuvik, Norman Wells), and smaller communities. According to the NWT Bureau of Statistics 2007 Summary of NWT Community Statistics, the unemployment rate in Yellowknife was 5.0 per cent. The unemployment rate in other larger centres was 8.6 per cent, compared to 22.4 per cent in the smaller communities. There were similar differences between community types for

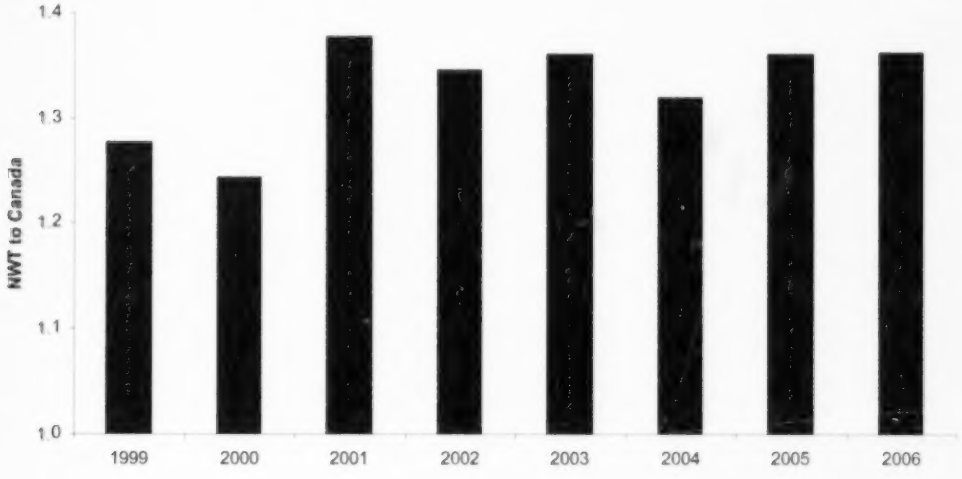
participation and employment rates. The participation rate in Yellowknife was 84.0 per cent, for the other larger communities 76.2 per cent, and for the smaller communities the participation rate was 62.9 per cent. Employment rates were 79.7 per cent, 69.6 per cent and 48.8 per cent respectively, for Yellowknife, the other larger communities and the smaller communities.

Productivity

Productivity is a key economic performance indicator. It is related to increasing value added and economic sustainability. One measure of labour productivity is the value of total compensation paid per hour actually worked. It includes earnings received by self-employed persons or working owners of unincorporated businesses, wages, salaries, overtime, and income-in-kind, as well as other sources of income.

Since 2001, NWT labour productivity has averaged 1.35 times the national average.

Ratio of NWT Labour Productivity to National Labour Productivity



Source: Statistics Canada

Investment

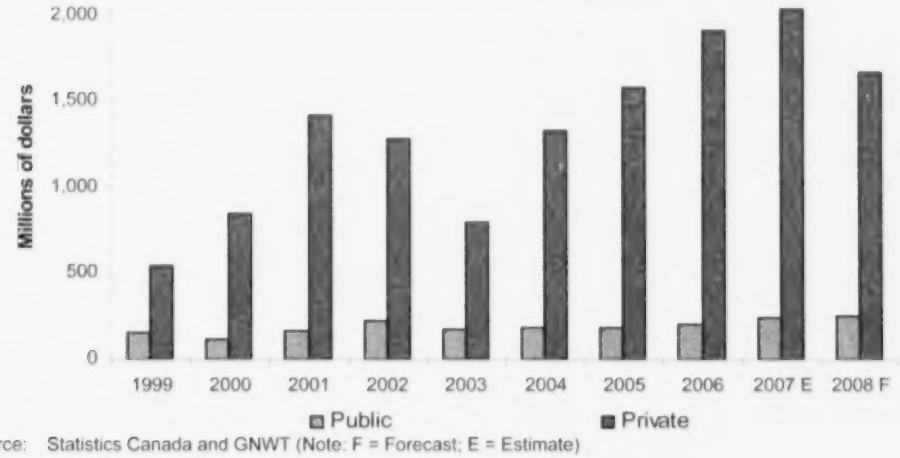
Capital and Repair Expenditures in the Public and Private Sectors

Total capital and repair expenditures in the NWT are forecast to decrease by an estimated 15.6 per cent in 2008, from an estimated $2,277 million in 2007 to $1,921 million. The private sector is forecast to expend $1,668 million, or 87 per cent of 2008 capital and repair expenditures, with the remaining 13 per cent coming from the public sector; up 2.5 percentage points from 2007. Since 1999, private capital and repair expenditures, primarily relating to construction activity in the diamond-mining sector, have ranged from 77 per cent to 90 per cent of total capital expenditures, consistently outpacing those from the public sector.

According to the 2008 Statistics Canada Survey of Investment Intentions of Public and Private Sector Organizations, 2008 capital investment decline is due to the completion of major investment projects in the mining sector.

Rapid large-scale non-renewable resource activity continues to put pressure on public infrastructure. Ongoing public sector investment will be required to address these strains on the Territory's infrastructure.

NWT Public and Private Investment: Capital and Repair Expenditures

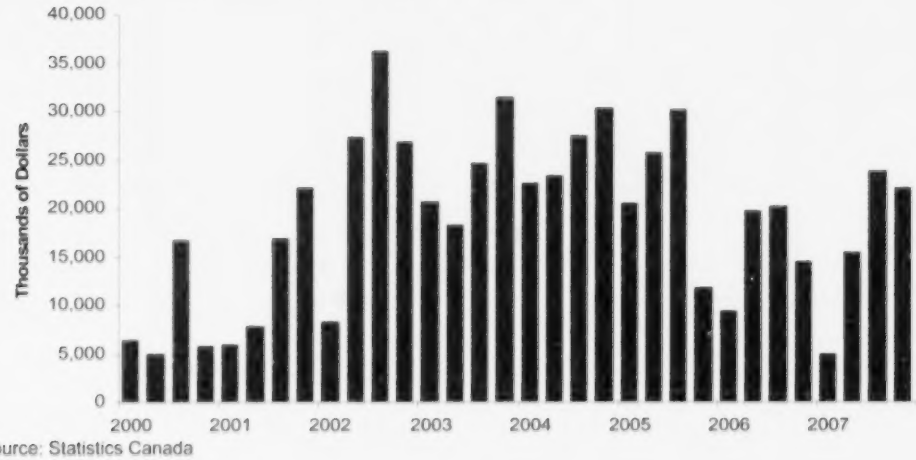


Source: Statistics Canada and GNWT (Note: F = Forecast; E = Estimate)

Housing Investment

Housing investment grew 3.6 per cent in 2007, to $66 million, following a 28 per cent decline in 2006 and a decline of 15 per cent in 2005. However, because of very strong growth in 2001 and 2002, when housing investment grew by 57 per cent and 88 per cent, respectively, the level of housing investment in 2007 was much higher than in 2000 and 2001. A strong economy, low interest rates, growing personal incomes and low vacancy rates have all supported housing activity in the NWT.

NWT Housing Investment, by Quarter



Source: Statistics Canada

Mineral, Oil and Gas Exploration and Production

The non-renewable resource sector is the main driver of the NWT economy. The diamond industry accounts for the majority of activity in this sector.

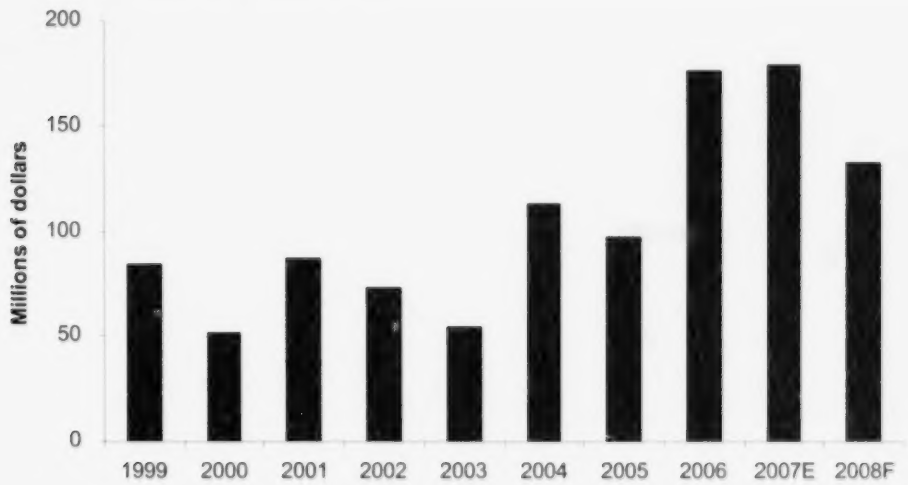
High commodity prices have spurred interest in mineral exploration across the Territory, not just for diamonds but other minerals as well, such as gold. Even if some commodity prices soften, prices are likely to remain elevated by historical standards. The high prices, in turn, should continue to benefit the NWT, which has enormous untapped potential for future growth in the non-renewable sector.

Exploration and Deposit Appraisal

Exploration and deposit appraisal expenditures included work at the four operating NWT mines (three diamond and one tungsten) and a number of grassroots and advanced exploration projects. The Gahcho Kue diamond project is currently undergoing Environmental Impact Review and four grassroots and advanced exploration projects are undergoing Environmental Assessment. Expenditures on mineral exploration and deposit appraisal in the NWT are expected to decrease 26.1 per cent in 2008 from the record high levels of 2007.

Almost two thirds of 2007 exploration and deposit appraisal expenditures were for diamonds. Base and precious metals accounted for most of the remaining expenditures.

NWT Exploration and Deposit Appraisal Expenditures



Source: Natural Resources Canada

The Diamond Sector

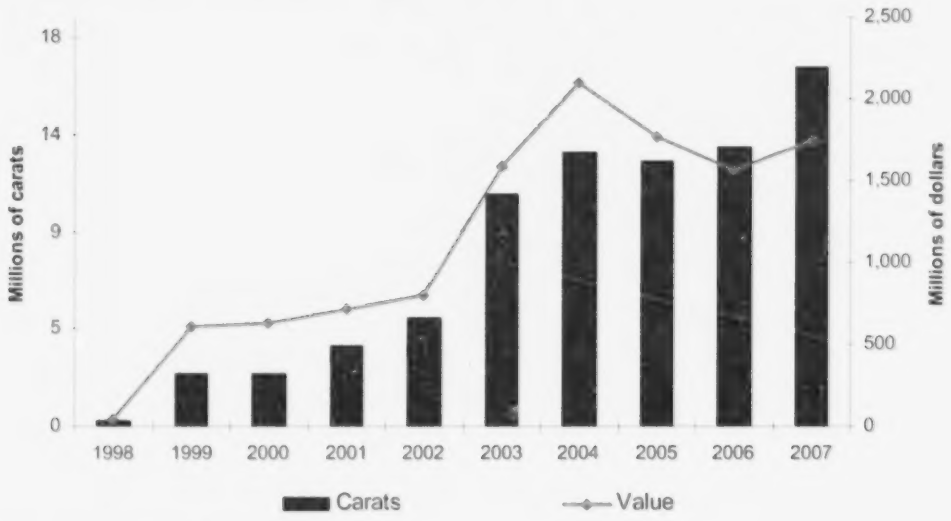
Diamond shipments increased in 2007 in both volume of shipments as well as value. Shipment volume was 16.6 million carats, up 28 per cent from 2006's record level. Shipment value increased 11.4 per cent, from $1,567 million in 2006 to $1,745 million in 2007. However, the average value per carat continued to decline for the fourth year in a row. The average carat value of shipped diamonds fell from $121 in 2006 to $105 in 2007. Carat values of NWT diamond shipments peaked in 2000 at $257.

The producing mines in the NWT are Ekati (1998), Diavik (2003) and Snap Lake (2007). The beginning of Diavik's production can be seen in the graph shown below.

Canada remains the world's third-largest diamond producer by value, behind Botswana and Russia. Until the 2006 opening of Nunavut's Jericho mine, the NWT was solely responsible for Canada's status as a major diamond producer. Tahera Diamond Corp., operator of the Jericho mine, ceased operations in 2008 and sought protection from creditors. DeBeers' Victor diamond mine in Ontario began production in March 2008.

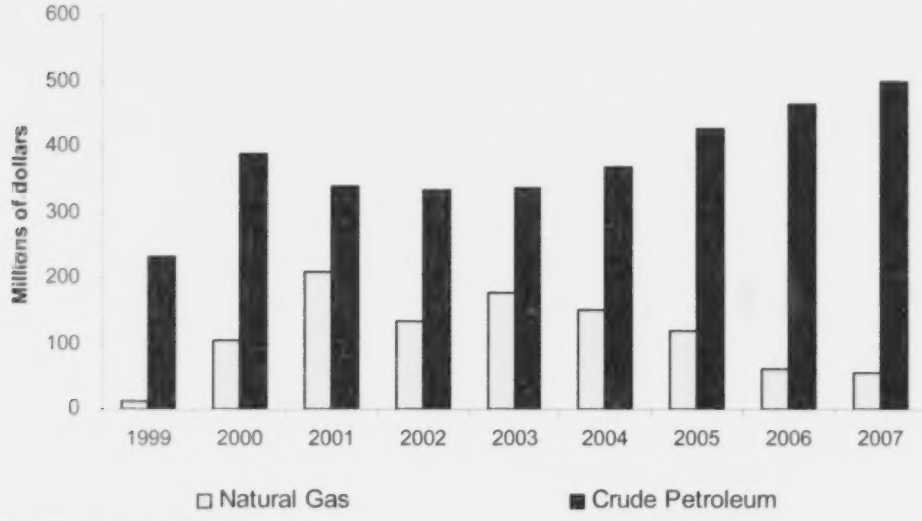
Diamonds increase in value as they move through the supply chain to the point of sale as jewellery at the retail level. The tasks of sorting, polishing, manufacturing and marketing diamonds add much value beyond that of the rough stones. The GNWT has encouraged the development of a home-grown cutting and polishing industry in order to capture some of this value added. Various diamond polishing enterprises operating in the NWT help to ensure that some of these downstream benefits remain in Canada's North. However, currently only a small portion of the NWT's diamond production remains in Canada to be cut and polished.

NWT Diamond Shipments: Weight and Value



Source: Natural Resources Canada

Value of Shipments, NWT Natural Gas and Crude Petroleum



Source: NWT Bureau of Statistics

The Oil and Gas Sector

Expenditures on oil and gas activities in the NWT in recent years have been sustained at high levels. These costs include expenditures on exploration and development drilling, well completion and abandonment, and geophysical and geological programs. Exploratory drilling levels were sustained in the Mackenzie Delta and in the central Mackenzie Valley.

Oil and natural gas production in the NWT has been gradually decreasing due to the depletion of reserves. Growth in production requires new discoveries and new field developments to replace depleting wells.

Should the Mackenzie Gas Project go ahead, substantial oil and gas exploration and production is likely to take place in the Mackenzie Delta and Beaufort Sea areas, making the NWT a major exporter of energy.

Gold Mining

After many decades of gold mining in the NWT, the territory's two remaining mines shut down because of resource depletion; the Con mine closed in November 2003 and the Giant mine ceased operations in 2004. There was no gold production in 2005, compared to production of approximately $9 million in 2004 and between $40 and $50 million in each of the prior five years.

However, since the Con and Giant mine closures, gold prices have increased substantially, encouraging new exploration for gold and other minerals in the NWT. As a result, more mining companies came to the NWT searching for gold; and total gold exploration expenditures increased almost four times, from $3 million in 2003 to an estimated $13 million in 2007.

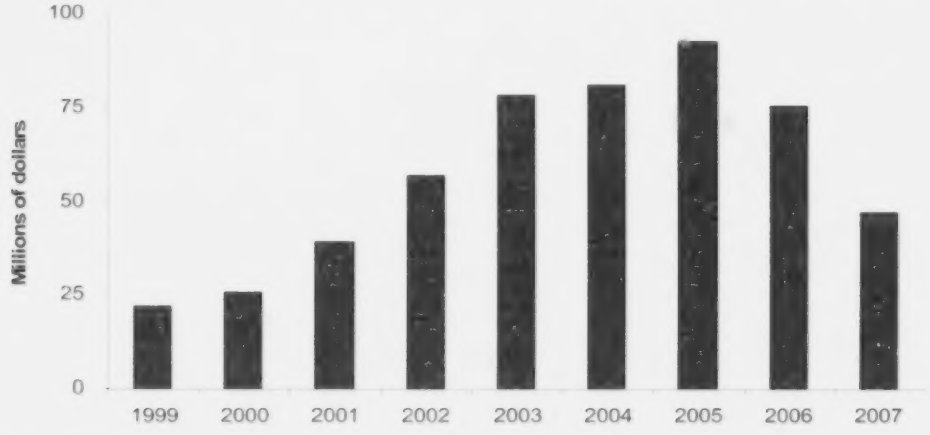
Manufacturing

Manufacturing Shipments

The NWT's manufacturing sector includes a variety of businesses including food processors, cement and concrete producers, printers, wood products and diamond processors. NWT manufacturing and trade benefited from the strong economic growth prior to 2005, primarily because of the NWT diamond industry. Much of the NWT's manufacturing shipments consist of cut and polished diamonds. As the number of raw diamonds available for processing in the NWT increased from 1999 to 2005, the NWT's manufacturing shipments also increased.

After peaking in 2005, manufacturing shipments declined by 18.4 per cent in 2006 and 37.7 per cent in 2007. The decline is continuing into the first two months of 2008 as the value of manufactured shipments declined 22.0 per cent from the same period of 2007. This decline is primarily attributable to manufacturing in areas other than cut diamonds.

NWT Manufacturing Shipments, All Industries



Source: Statistics Canada

Wholesale Trade

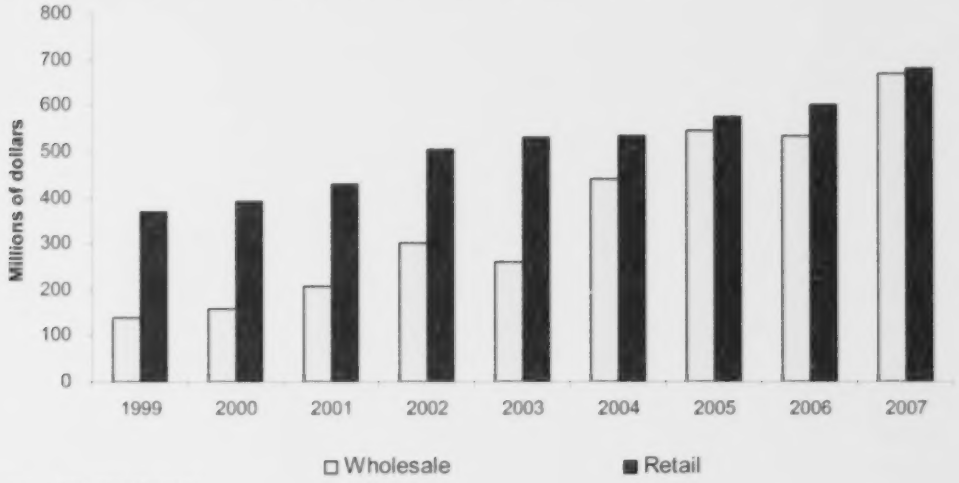
Wholesale trade increased 25.2 per cent in 2007 to $677.0 million, recovering from a decline of 2.2 per cent in 2006. Wholesale trade continued its upward trend into the first two months of 2008 with an increase of 13.1 per cent over the same period last year. Between 1999 and 2007, wholesale trade increased from $367.3 million to $679.1 million, an average annual growth rate of 21.7 per cent.

Retail Trade

Retail trade increased by 13.3 per cent in 2007 to $679.1 million. This is a continuation of the eight-year trend of increasing retail sales in the Territory. Initial indications are that the trend will continue. For the first two months of 2008, retail sales were up 18.5 per cent over the same period last year. Since 1999, retail trade has increased at an annual

average rate of 8.0 per cent, in line with the average annual growth rate of the wages, salaries and supplemental income component of NWT GDP that has grown at an average rate of 7.4 per cent since Division in 1999.

NWT Retail and Wholesale Trade, Seasonally Adjusted



Source: Statistics Canada

Renewable Resource Sector

The renewable resource sector is an important part of the NWT economy and provides valuable employment opportunities to many residents.

Tourism

Tourism is an important part of the NWT's economy with untapped potential, including niche categories such as cultural tourism, diamond-based tourism and the international tourist market. There are three components to the NWT's tourist trade: eco-tourism, leisure travel and business travel.

The accommodation and food services industries are an important component of the NWT tourist business. The industry includes a broad range of companies providing short-term accommodation to business travellers and vacationers, including hunting and fishing lodges. It also includes restaurants and nightclubs. Between 1999 and 2007, the accommodation and food services industry's contribution to GDP has increased from $50.2 million to $75.4 million, growing at an average annual rate of 5.2 per cent.

In 2006, the GNWT announced *Tourism 2010: A Tourism Plan for the Northwest Territories*, a long-term plan to further develop the Territory's tourism industry. This initiative seeks to build upon existing strengths with further funding support in product development, infrastructure, human resource training, marketing, research and planning. The Plan's objective is to expand the NWT tourism industry from $100 million in 2006 to $145 million annually by 2010.

Commercial Fishery

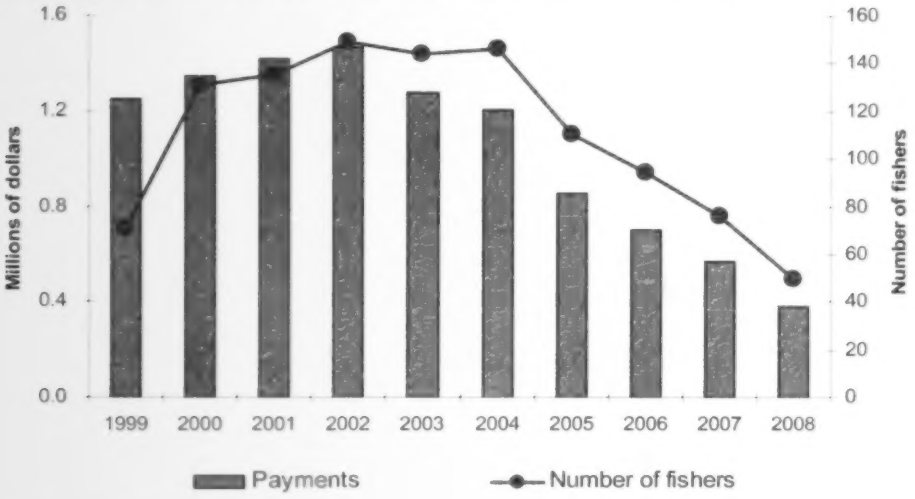
The NWT's commercial fishery is a small but valued part of the territory's economy. Data from the Freshwater Fish Marketing Corporation (FFMC) – a self-sustaining federal Crown corporation which functions as the buyer, processor and marketer of freshwater fish from Alberta, Saskatchewan, Manitoba, the NWT and part of north-western Ontario – demonstrates that the NWT commercial fishery has declined in recent years.

Continuing the downward trend, the FFMC reports that initial payments to NWT fishers – on a delivery-point, net-of-freight basis – fell in fiscal 2008 (the year ended April 30, 2008). Payments have fallen to $380,000, down 33 per cent from 2007.

The number of fishers peaked at 149 in 2002 and has declined to 50 in 2008. Delivered weight has declined continuously since 1999, dropping by over 70 per cent from 1.0 million kilograms in 1999 to 0.3 million in 2008.

The increase in the value of the Canadian dollar since 2002 has hurt the freshwater fishery in Canada. Lower fish volumes in the NWT indicate a lower participation in the NWT commercial fishery due, at least partly, to unfavourable pricing because the US is the major market for Canada's freshwater fish and sales are transacted in US dollars.

NWT Commercial Fishery Activity, Fiscal Years ending April 30th



Source: Freshwater Fish Marketing Corporation

Fur Harvest

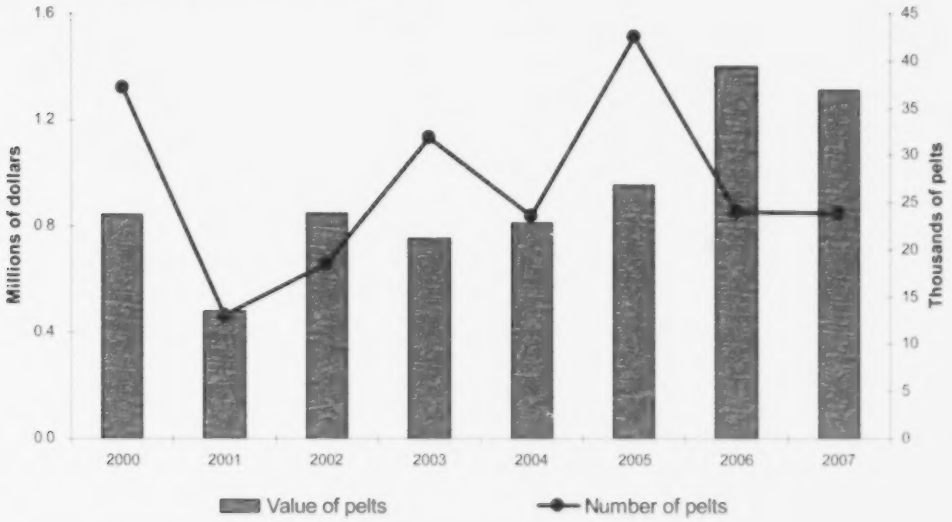
Trapping remains an important source of cash income for many people in the NWT, especially in the smaller communities, and allows for a connection with the land that is not possible in most other occupations. In the fiscal year ending June 30, 2007 (the international furriers' standard fiscal year), there were 782 full-time and part-time trappers throughout the NWT. Pelts were harvested from a total of 22 separate species.

Total harvest decreased slightly from 23,967 pelts in fiscal 2006 to 23,868 pelts in fiscal 2007. However, average prices per pelt fell for some important species, resulting in a 6.6 per cent reduction of the total value of pelts. The total value of the harvest declined from $1.4 million in 2006 to $1.3 million in 2007. Nevertheless, this is the second highest revenue since at least Division in 1999.

Marten pelts accounted for three quarters of the total value of the fur harvest in 2007, a share almost unchanged from the previous year. The number of marten pelts sold increased by 38.5 per cent but the average value per pelt fell by 29.6 per cent.

Lynx, which accounted for 22 per cent of the harvest by value, experienced a decline of 4.5 per cent in average number of pelts marketed and a small drop in price per pelt to $144.35. None of the remaining species accounted for more than 3 per cent of the value of the harvest.

Number and Value of Pelts Harvested



Source: GNWT Department of Industry, Tourism and Investment

The vision of the 16th Legislative Assembly of the Northwest Territories (NWT) is one where strong individuals, families and communities share the benefits and responsibilities of a unified, environmentally sustainable and prosperous Northwest Territories.

Achieving this vision requires strategic investments that will produce benefits in the long-term. At the same time, the Government of the Northwest Territories (GNWT) must continue to provide programs and services for today's needs.

The GNWT's fiscal situation, however, requires an evaluation of spending priorities to ensure that both these goals can be achieved.

Fiscal Situation

At the start of the 16th Legislative Assembly, the GNWT faced several certainties: certainty in the Territorial Formula Financing arrangements for the next five years; certainty that a resource devolution agreement will not produce revenues for NWT governments in the immediate term; and most important, certainty that without action now to bring spending growth in line with forecast revenue growth, the GNWT will face even harder choices in the future.

In 2005, the GNWT laid out an approach to fiscal planning that would ensure long-term fiscal sustainability, while allowing for a responsible level of debt to finance capital investment. The *Fiscal Responsibility Policy* stipulates that the GNWT will not borrow to fund operating deficits. No more than 50 per cent of infrastructure investment may be funded through debt. At least 50 per cent must be financed through cash generated from operating surpluses.

The rising cost of delivering current program and service levels has meant there is less and less money available for investment in badly needed infrastructure and in new strategic priorities.

Projected Revenues and Expenditures without Action

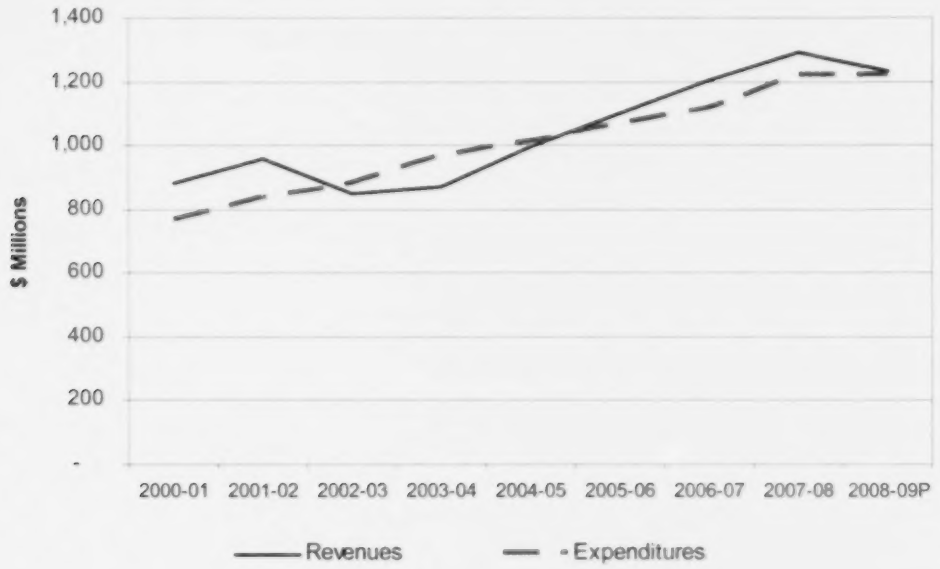
The GNWT's operating balance is currently positive. The operating surplus in 2006-07 was $87 million, and based on current information, an operating surplus of $69 million is expected in 2007-08. However, both surpluses were augmented by one-time revenues from Canada: $50 million from the Northern Housing Trust in 2006-07 and $54 million in supplementary Territorial Formula Financing funding in 2007-08.

Since 2000-01, GNWT revenues have been more volatile than operating expenditures. Between 2000-01 and 2007-08, the GNWT experienced five years of operating

surpluses and three years of operating deficits. Revenues grew, on average, by 5.5 per cent and expenditures by 6.8 per cent. In addition, the GNWT made capital investments of $703 million over this period.

Effective April 1, 2007, Territorial Formula Financing returned to longer term, predictable arrangements, following three years of interim arrangements. Total GNWT revenues are projected to increase by 1.8 per cent per year between 2007-08 and 2011-12, or 3.0 per cent after accounting for one-time revenues. The Territorial Formula Financing Grant is projected to increase an average 4.0 per cent per year and own-source revenues are projected to increase an average 3.1 per cent per year over the planning period. Other transfers are projected to decrease.

Revenue and Expenditure Growth



Fiscal Strategy

Given revenue projections, allowing expenditures to grow by the projected 5 per cent per year in the four-year period from 2008-09 to 2011-12 would lead to operating deficits and put the GNWT in an unsustainable fiscal position.

Under this scenario, the GNWT would be over the $500 million federally-imposed borrowing limit by the end of 2011-12. Furthermore, the capacity to address aging infrastructure and the need for more infrastructure requires significant capital investment. Finally, expenditure growth projections were conservative and did not provide for additional funding for new spending on strategic priorities.

For the GNWT to adhere to the *Fiscal Responsibility Policy*, the projected growth rates in revenues and expenditures must be brought into balance, either by quickening the pace of growth of revenues – through tax increases or the introduction of new taxes – or by reducing the rate of growth in expenditures, either through reductions to current

spending or by postponing or eliminating proposed new initiatives, or a combination of both.

In order to bring expenditures into line with revenues, the GNWT intends to realign $135 million in expenditures, with $75 million to be reallocated to spending priorities. Forced growth will be capped at 3 per cent, excluding Collective Agreement adjustments, starting 2009-10 and $10 million in new revenues annually will be identified beginning 2009-10.

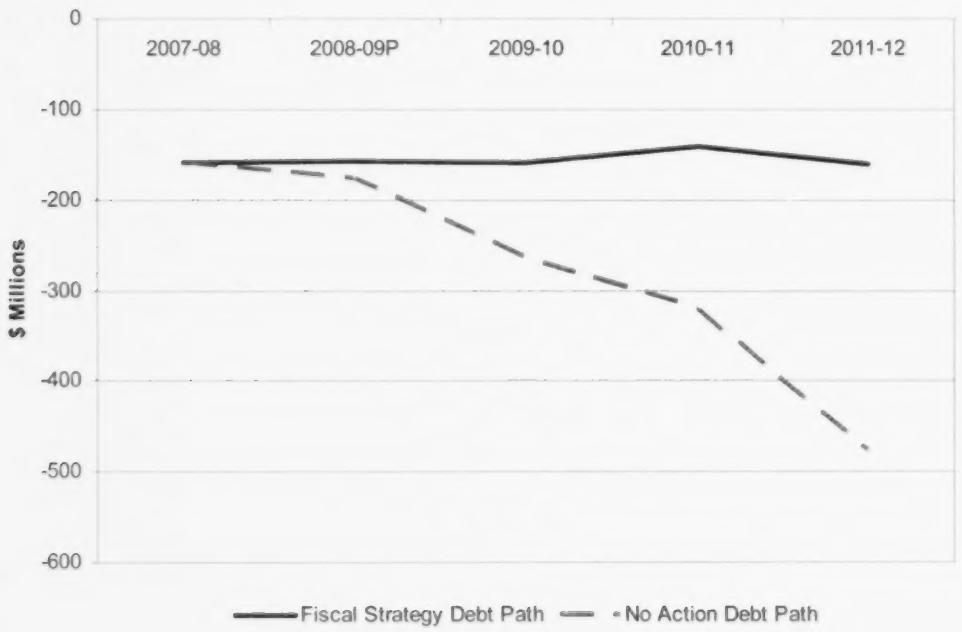
The expectation is that a balance between limiting expenditure growth and increasing own-source revenues can be achieved so that expenditure growth does not exceed revenue growth over the long-term.

The following graph projects GNWT debt under two scenarios:

1. if no action is taken, and
2. if the fiscal strategy targets are achieved.

If no action were taken, the GNWT would be in a deficit position in 2008-09 and by 2011-12 total debt (including debt of the NWT Power Corporation, NWT Energy Corporation and the NWT Housing Corporation) would be $477 million, only $23 million lower than the authorized borrowing limit of $500 million. If the fiscal strategy targets are achieved, total GNWT debt will remain stable over the planning period with only $17 million in new direct debt incurred by the end of 2011-12.

Comparison of GNWT Debt – Fiscal Strategy and if No Action Taken



2008-09 Budget

The 2008-09 Budget sets the stage to restore longer-term fiscal sustainability for the GNWT.

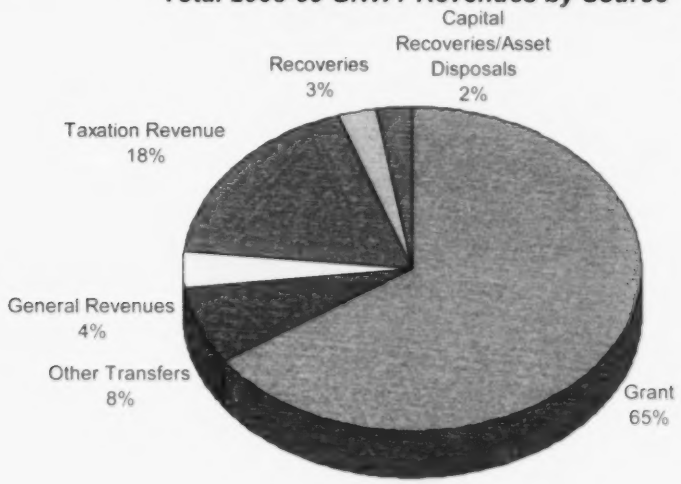
A $13 million operating surplus is projected for 2008-09. No direct GNWT debt is forecast for the end of 2008-09, although a small $1.5 million cash deficit is expected due to a repayment of corporate income tax at year end. This cash deficit is forecast to disappear April 1, 2009 when new revenues are received. Total GNWT debt will be comprised of the $158 million in guaranteed debt of the NWT Power Corporation, the NWT Energy Corporation and the NWT Housing Corporation. The federal government limits total debt of the GNWT and its corporations and agencies to $500 million. The available borrowing authority at the end of 2008-09 will be $342 million.

Total 2008-09 revenues are estimated to decrease 4.5 per cent, from a projected $1.288 billion in 2007-08 to $1.23 billion in 2008-09. The Territorial Formula Financing Grant will decrease $37 million due to a one-time adjustment in 2007-08. Taxation revenues are forecast to decrease $26 million in 2008-09, primarily due to a projected decrease in Corporate Income Tax revenues.

Other transfers from Canada, at $93 million, are forecast to be slightly lower than the 2007-08 Revised Estimates, as a number of one-time trusts were recorded in 2007-08.

Revenues

Total 2008-09 GNWT Revenues by Source



Taxation revenues are forecast to decrease 11 per cent, or $26 million, from the 2007-08 Revised Estimates. The main reasons for the expected decrease are:

- Corporate Income Tax revenue forecast to be $41 million lower due to the payment of a large refund and lower forecast growth in corporate taxable income,
- Personal Income Tax revenues are forecast to be $15 million higher as a result of growth in incomes earned in the NWT,
- Payroll Tax revenues are forecast to be almost $1 million higher due to forecast higher employment and employment income, and

- Other taxation revenues (tobacco, fuel, property, and insurance taxes) are forecast to decrease almost $2 million in total, mainly due to lower expected fuel consumption in the mining sector.

Other own source revenues are projected to decrease 4.3 per cent to $82 million in 2008-09, largely due to a $3 million decrease in investment income.

Expenditures

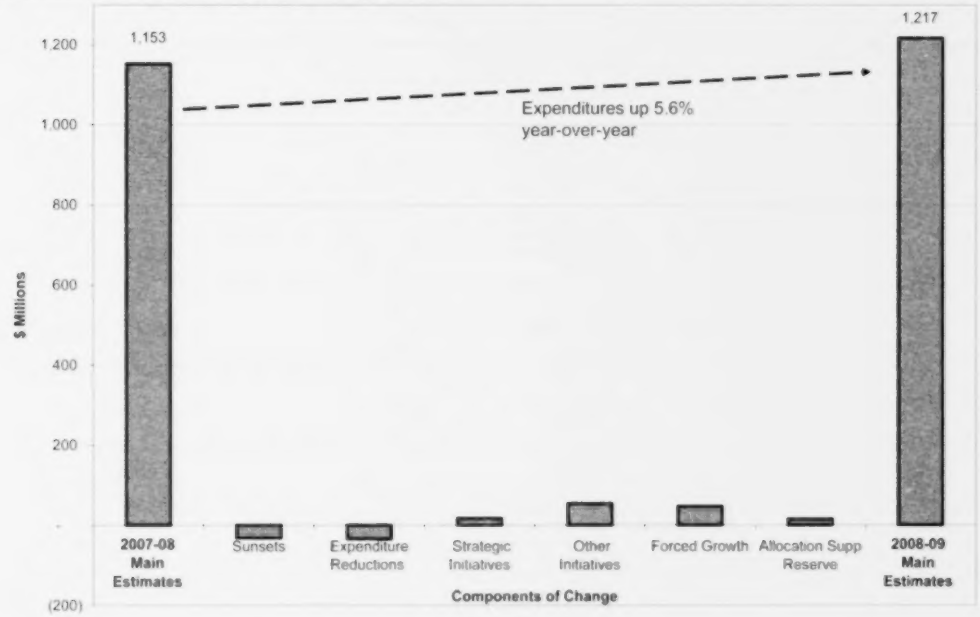
The 2008-09 Budget includes $1.27 billion in operating expenditures and $180 million in capital expenditures, including infrastructure contributions.

2008-09 operating expenditures include $45 million to address higher costs for social programs and fuel cost increases, and to meet compensation obligations under collective agreements. The Budget also includes $72 million to fund new initiatives. These increases are offset by $32 million in sunsetted programs and $33 million in expenditure reductions in 2008-09. Finally, the GNWT traditionally includes a "supplementary appropriation reserve" of $25 million, to account for unplanned expenditures which may arise during the year. Starting in 2008-09, $15 million of this reserve has been allocated to departments, to allow them to address rising program costs internally.

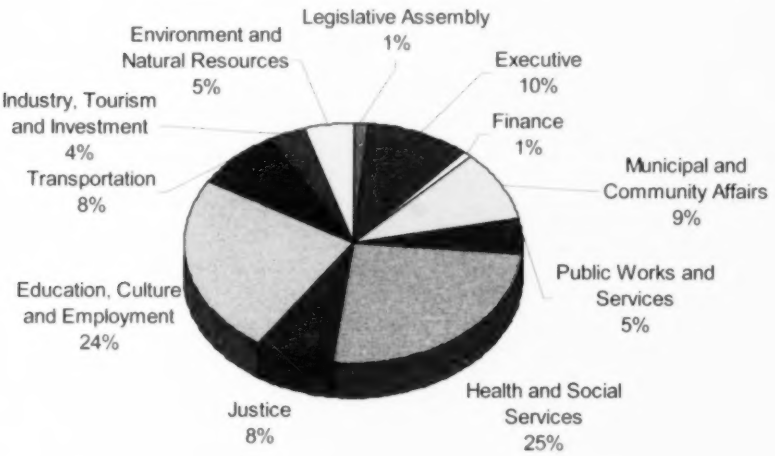
Total expenditures have increased $64 million from the 2007-08 Main Estimates to the 2008-09 Main Estimates but have declined $19 million from the 2007-08 Revised Estimates.

The following chart shows the changes between the 2007-08 Main Estimates and the 2008-09 proposed operating expenditures. Expenditure reductions represent 2.8 per cent of 2008-09 operating expenditures, forced growth represents 3.5 per cent, and new initiatives 5.8 per cent.

Derivation of 2008-09 Operating Expenditures



2008-09 Operations Expenditures by Department



Initiatives

The GNWT has identified five strategic initiatives on which the GNWT's investments are focussed. Over the long term, expenditures under these initiatives will improve the lives of NWT residents, encourage economic development, better prepare the GNWT to protect NWT lands and waters and improve the efficiency of the GNWT to deliver programs and services.

Building Our Future – will fund actions that focus on children and youth, promote healthy choices, address addictions, support families and seniors, and increase the safety and security of individuals and communities. A total of $18.6 million in new initiatives will be provided under 2008-09 funding including:

- $460,000 to increase support and outreach services available to women and children experiencing family violence;
- $340,000 to enhance programs at existing shelters for victims of family violence;
- $5.74 million to continue supplementary funding of priority health initiatives using the Territorial Health Access Fund – Long-term Reform;
- $3.1 million for long-term health reform with federal funding to enhance nursing resources in small communities and expand nurse practitioner training;
- $1.8 million for the on-the-job community health nurse development program to help reduce patient wait times;
- $100,000 to continue Healthy Choices Framework programs geared to improving the health of NWT residents and reducing long-term health and social service costs;
- $1.6 million to support minority language instruction in partnership with the Government of Canada.

Building Our Future

Implement Phase II of the Framework for Action on Family Violence		
Enhance Community Services	460,000	
Stabilize Existing Shelters	340,000	
		800,000
Encourage healthy choices and address addictions		
Territorial Health Access Fund - Long-Term Reform	5,743,000	
Federal Health Care Funding - Various	3,132,000	
Community Health Nurse Development Program	1,793,000	
Healthy Choices Framework	100,000	
		10,768,000
Expand programming for children and youth		
Minority-Language Education and Second-Language Instruction	1,617,000	
Language/Cultural Instructor Program	120,000	
Expansion of Early Childhood Development Programs	1,000,000	
Community Based Teacher Education Program	300,000	
Foster Care Review and Standardization	1,011,000	
In House Respite Services for Families of Special Needs	224,000	
Take a Kid Trapping Program	125,000	
Youth Centres Initiative	250,000	
		4,647,000
Increase safety and security		
Enhancing Policing Services	1,490,000	
Enhancing Emergency Services	350,000	
		1,840,000
Strengthen continuum of care for Seniors		
Supported and Assisted Living in Smaller Communities	571,000	571,000
		$ 18,626,000

- $120,000 to fund a full-time Language and Cultural instructor at Aurora College to help train qualified instructors to deliver Aboriginal language and culture programs.
- $1 million to improve the quality of early childhood programs through a commitment to further the Language Nest Initiative, increase regional Early Childhood Programming staff to 6 person years and create an Early Childhood coordinator to build linkages between early childhood programs and the formal school system. Over time, this action will improve high school completion rates in the NWT.
- $300,000 will be invested to develop a plan to increase the enrolment and completion rates of the Teacher Education Program by providing access to programs and practicum placements in communities and additional personal, professional, cultural and academic learning supports. Ultimately, it is expected that this will increase the number of Aboriginal teachers in the NWT school system.
- $1 million to rationalize and standardize foster care rates to produce a foster care program that reflects the higher costs of supporting a foster child in smaller communities and ensures that equitable services are available to children across the entire NWT by 2009-10.

- $224,000 to provide planned relief for families that care for children with disabilities. The relief will decrease stress and help primary caregivers develop the necessary skills to meet these children's social, emotional and educational needs. The initiative is to help children with disabilities develop to their full potential.
- $125,000 to fund a permanent school-based Take a Kid Trapping program as part of the GNWT contribution to the cost of youth activities.
- $250,000 to continue support to community governments or other organizations that operate youth centre programs in NWT communities.
- $1.5 million to open additional RCMP detachments and support increased coverage in smaller detachments.
- $350,000 to support communities providing ground ambulance, and/or highway rescue services and to complete the development of a new policy and funding framework for integrated territorial delivery of these services.
- $571,000 in additional operating funds for the Territorial Supported Living Campus, which includes three adult group homes and a day program that will improve the quality of life for adults with moderate to severe cognitive and behavioural challenges.

Managing This Land - a total of $6.2 million in new initiatives will be provided in 2008-09 to ensure that NWT land and water resources are used in a sustainable way that protects these resources for future generations. Funding includes:

- $200,000 to develop a business case and choose a site for an operating wind energy turbine,
- $450,000 for a program to establish alternative energy projects in communities,
- $2.2 million for alternative energy projects eligible for federal Ecotrust funding,
- $650,000 to continue funding for devolution and resource revenue sharing negotiations,
- $100,000 in one-time funding to develop a land use framework that ensures all GNWT land use decisions are guided by a common corporate approach that supports the political development of the NWT,
- $1.4 million to continue work for the *Barren-ground Caribou Management Strategy*, to implement an *NWT Wood Bison Strategy* and to develop a better understanding of the cumulative effects habitat change from exploration and development activities on species at risk,
- $250,000 for the Western NWT Biophysical Study,
- $350,000 to update the classification and mapping framework for the Southern and Northern Arctic ecozones,
- $130,000 to develop and implement water management initiatives, especially a trans-boundary water agreement with Alberta, and
- $425,000 to address the highest priority areas in the *Action Plan for Drinking Water Quality in the NWT* not covered under current funding.

Managing this Land

Work to Mitigate and Adapt to Climate Change Impacts		
Wind Energy Electricity Supply	200,000	
Alternative Energy Program	450,000	
EcoTrust - mini hydro projects for communities	900,000	
EcoTrust - residual heat project	190,000	
EcoTrust - housing energy audits and solar water preheat	130,000	
EcoTrust - wood pellets, hydro and other projects	970,000	
		2,840,000
Continuing to develop governance		
Advance Devolution Discussions	650,000	
Develop a Land Use Framework	100,000	
		750,000
Environmental stewardship		
NWT Wood Bison Strategy and Caribou Studies	880,000	
NWT Barren-ground Caribou Management Strategy	560,000	
		1,440,000
Improve Environment Monitoring		
Western NWT Biophysical Study	250,000	
Ecoregion Mapping	350,000	
		600,000
Protect Territorial Water		
Participate in Management of Transboundary Waters	130,000	
Water Quality & Waterborne Diseases - increase public awareness	15,000	
Water Supply System Upgrades, Training and Support	380,000	
Pilot Studies for Remote Monitoring and Testing Water Supplies	30,000	
		555,000
		$ 6,185,000

Maximizing Opportunities – investments in key priorities that maximize the opportunities from economic development will be made with the expectation that this support for trades and apprentices and economic diversification will produce, in the long run, a balanced, diversified and sustainable NWT economy. The 2008-09 Budget includes $11.7 million for the following investments:

- $2.8 million to lower the pupil teacher ratio in the trades training as a way of emphasizing the trades, technical and work-related skills in NWT classrooms to help students get a better understanding of the career opportunities in the trades and develop better work-related skills and attitudes,
- $100,000 to develop supports and plans to increase enrolments in apprenticeship programs, especially for women and Aboriginal people,
- $200,000 to support the operation and maintenance of the Aurora College Mobile Trades Training Unit so that trades training can be expanded to include the College's Inuvik campus and outlying communities,
- $1.2 million to support hiring apprentices in designated trades and occupations,

Maximizing Opportunities

Improve skills for living and working		
Pupil Teacher Ratio (PTR) - Trades	2,810,000	
Additional Support for Apprentices	100,000	
Mobile Trades Training	200,000	
Hiring New Apprentices in Designated Trades and Occupations	1,198,000	
Marine Services Training Program	100,000	
		4,408,000
Maximize benefits from the MGP and related initiatives		
MGP Strategic Investment	610,000	
Energy Investment - Taltson	3,000,000	
		3,610,000
Promote NWT as a place to visit and live		
Increased Support for the Arts	500,000	
Promote the NWT at 2010 Olympics	67,000	
		567,000
Support diversification		
Tourism Product Diversification and Marketing Fund	1,560,000	
Acho Dene Koe First Nation Western Harvesters Assistance Program	132,000	
New SEED Policy and Enhanced Funding	1,000,000	
Parks renewal - Operations and Maintenance	140,000	
Cultural Interpretations at Parks	250,000	
		3,082,000
		$ 11,667,000

- $100,000 for a marine services training program to help train employees to fill marine engineering positions,
- $610,000 to various departments to address pressures on government programs and services associated with the proposed Mackenzie Valley Project and to prepare and implement strategies to maximize benefits and minimize negative impacts,
- $3 million in contribution funding to the NWT Energy Corporation for the proposed Taltson Hydro Expansion Project, including development of a Project Development Agreement with the Deze Energy Corporation and Power Purchasing Agreements with the diamond mines,
- $500,000 in increased support to NWT arts and culture, including hiring a coordinator to help groups apply for funding,
- $67,000 in one-time funding to undertake various activities aimed at promoting the NWT at the 2010 Olympic Winter Games in Vancouver,
- $1.6 million in a Tourism Product Diversification and Marketing Fund to provide assistance for research to identify market needs and wants, provide funding to individual operators for product development and provide assistance to Northwest Territories Tourism to promote new opportunities and markets,
- $1 million for the new *Support to Entrepreneur and Economic Development (SEED) Policy* that will replace the Business Development Fund and grants to small business policies,

- $140,000 for parks operations, including a $50,000 increase in the territorial parks' operations and maintenance budget and $90,000 for the general parks operating budget, and
- $250,000 in additional funds for seasonal contracts for the delivery of regional, cultural and interpretive park programs.

Reducing the Cost of Living - implementing strategies that will ensure effective use of resources that subsidize the cost of living and address factors impacting the cost of living such as transportation infrastructure and energy. The 2008-09 Budget includes $25.3 million in funding initiatives aimed directly at reducing the cost of living including:

- $800,000 for energy awareness programs,
- $100,000 to develop options to reduce the cost of electricity rates and regulations,
- $400,000 to develop an *NWT Hydro Strategy*,
- $17.1 million from the *Northern Housing Trust* to build affordable homes,
- $200,000 to speed up Dempster Highway ice crossing construction so the highway is open to commercial vehicle traffic sooner in the winter months,
- $155,000 in additional funding for the senior citizens supplementary benefit, and
- $6 million to fund the change in focus of the income security program from a program of last resort to one that provides adequate financial assistance for basic needs and supports people to achieve self-reliance.

Reducing the Cost of Living

Address factors that impact the cost of goods		
EnerGuide for Houses	150,000	
Energy Efficiency Incentive Program	400,000	
Energy Information and Awareness	100,000	
Support for Arctic Energy Alliance	150,000	
Overall Review of Rates and Regulations	100,000	
		900,000
Improve quality and cost of shelter		
NWT Hydro Strategy	400,000	
Northern Housing Trust	17,100,000	
		17,500,000
Improve transportation access to communities		
Dempster Highway Ice Bridge Construction Acceleration	200,000	
		200,000
Support families and individuals		
Income Support - Senior Citizens Supplementary Benefit	155,000	
Income Security Redesign	5,950,000	
		6,105,000
		$ 24,705,000

Refocusing Government		
Change the GNWT's approach to infrastructure		
Focus on Deferred Maintenance	2,650,000	2,650,000
Conduct Program Review	424,000	424,000
Managing the cost of government		
Capital Asset Retrofit Fund	50,000	
Energy Management Specialist	125,000	
		175,000
Strengthen service delivery		
Support Official Languages	150,000	
Legislative Assembly Territorial Broadcasting Solution	301,000	
		451,000
		$ 3,700,000

Refocusing Government - refocuses government on what is most important to the long-term viability of the NWT and delivering programs and services in the most efficient way. This includes changes in services and service delivery.

Actions and investments during the 16th Legislative Assembly will focus on undertaking a review of government programs to ensure the effective use of resources, changing the way the Government plans and delivers infrastructure, improving human resource management, implementing changes to GNWT boards and agencies, ensuring effective service delivery in smaller NWT communities and stabilizing the GNWT relationship with non-government organizations.

A total of $3.8 million in new initiatives will be provided in 2008-09 including:

- $2.65 million to address the need for maintenance to maximize the useful life of government buildings,
- $424,000 to establish a program review office,
- $175,000 to reduce government energy costs through a capital asset retrofit fund and hiring of an Energy Management Specialist,
- $150,000 to improve GNWT services in official languages by piloting single window service centres for French with a planned extension to one or more Aboriginal languages, and
- $301,000 to provide satellite time, annual maintenance and translation services for a Legislative Assembly Broadcasting system.

Infrastructure

In total, $180 million will be invested in infrastructure and infrastructure contributions in 2008-09 including:

- $25 million for school replacements, renovations and additions;
- $7 million in electronic health records management and imaging archive technology upgrades and replacements to improve the health service delivery;
- $25 million in health infrastructure investments, including $13 million for the long-term care territorial dementia facility, $3.4 million for the Adult Supportive Living in Hay River, $4.3 million for the Consolidated Primary Care Clinic in Yellowknife, and $2.5 million for the Northern Lights Special Care Home in Fort Smith;
- $11.2 million for technology information system upgrades and replacements including $7.5 million to replace the Financial Information System;
- $5 million to address the need for maintenance to maximize the useful life of government buildings;
- $6 million for upgrades and renovations to GNWT buildings;
- $34 million for highways and roads across the NWT, including $9.4 million for the Kakisa River bridge replacement, $20 million for highway work as a part of the Canada Strategic Infrastructure Funds and the 2007 Framework Agreement with Canada, and $4.8 million for other road work;
- $6 million for winter roads;
- $15 million for airport infrastructure improvements;
- $28 million in Formula Funding for community infrastructure;
- $4.3 million for other community infrastructure;
- $1.7 million for water and sewage treatment upgrades in various communities;
- $1.4 million for a gymnasium in Nahanni Butte;
- $3.8 million in parks infrastructure in 2008-09 as part of a four year plan to replace the 60th Parallel Visitor Centre, to address the increasing demand for RV sites in campgrounds, to address the deterioration of heritage buildings, and to establish a new Territorial Park under the *NWT Protected Areas Strategy*; and
- $5 million for tank farm upgrades and capacity increases.

Revenue Measures

There are no changes to NWT tax rates in 2008-09.

The fiscal strategy calls for $10 million in new revenue measures starting in 2009-10. A paper describing revenue options will be released in the summer 2008 for public comment. Decisions on revenue changes will be announced following consultations.

Looking Ahead

As long as the medium term outlook is fiscally sustainable, the fiscal strategy will be to manage the growth in operating expenditures to ensure that it does not exceed the growth in revenues, thus eroding the ability of the GNWT to invest in infrastructure. This will also provide the GNWT with the flexibility to invest strategically in support of the GNWT's priorities. Limiting expenditure growth will be supported through the work of a new Program Review Office. The Office will work closely with departments to identify approaches to managing expenditure pressures, including procurement, travel practices, and growth in program spending. Over the longer term, the Office will work with departments to help make programs and services more effective.

The GNWT will continue to pursue devolution and resource revenue sharing with the Government of Canada and NWT Aboriginal governments. However, a resource devolution agreement will likely not produce additional revenues for a number of years and resource revenues alone would be insufficient to overcome the historical higher expenditure growth rate.

The GNWT's fiscal strategy includes tax options, but the NWT's tax bases are inadequate to maintain the balance between revenue and expenditure growth without actions on the expenditure side to reduce growth rates. Further, sound tax policy must consider the effect of higher taxes on the NWT residents and businesses, particularly given that the costs of living are increasing.

Over the medium term, the fiscal strategy requires that the GNWT take a balanced approach that involves some expenditure reallocation for new investments on priorities, that brings the expenditure growth rates in line with the forecast revenue growth rate, and that ensures sufficient operating surpluses to permit investments in infrastructure.

Risks to the Medium Term Outlook

Limiting expenditure growth to align with revenue growth is also necessary to ensure the GNWT has the flexibility to contend with fiscal, especially revenue, shocks. Consideration of revenue risks to the GNWT medium term revenue forecast focuses on the Territorial Formula Financing Grant because this transfer payment forms the majority of GNWT revenues and on Corporate Income Tax revenues due to their volatility.

The new Territorial Formula Financing arrangements retain the same gap-filling principle as previous arrangements. The main difference is that each year's Grant is based on a single estimate using three-year moving averages of actual data that is lagged by two years. This is a significant change from previous Territorial Formula Financing arrangements. In the past, changes in own source revenues would be partially offset in the same year that they occurred through adjustments to current or prior year Grant entitlements. Although the new arrangements make the Grant more stable in any given fiscal year, it also makes the Grant less responsive to changes in other revenues in the short term. Over time, however, Grant entitlements do respond to changes in the GNWT's own-source revenues.

For example, the single estimate for the 2008-09 Grant determined in December 2007 will not change for payment purposes during the course of the year. Any changes in own-source revenues from the forecast amounts during 2008-09 will be reflected in the Grant in 2010-11 and then by only one-third of the amount in each year for three years.

Therefore, a large drop in own-source revenues will not be offset under Territorial Formula Financing until the second, third and fourth years after the initial revenue shock.

As GNWT own-source revenues increase as a share of total revenues, the government's overall revenues will become more variable. Since the Territorial Formula Financing Grant does not respond as quickly to changes in own-source revenues, volatility in these revenues becomes a more important consideration in projecting revenues and cash for planning purposes.

Summary of Operations

(thousands of dollars)

	2008/2009 Main Estimates	2007/2008 Revised Estimates	2007/2008 Main Estimates	2006/2007 Actuals
REVENUES	**1,230,396**	**1,288,511**	**1,231,136**	**1,203,778**
OPERATIONS EXPENSE				
Compensation and Benefits	241,290	236,937	230,508	226,263
Grants and Contributions	599,048	618,720	570,061	544,495
Other Expenses	319,864	328,375	297,931	295,332
Amortization	56,770	51,552	54,050	50,324
TOTAL OPERATIONS EXPENSE TO BE VOTED	**1,216,972**	**1,235,584**	**1,152,550**	**1,116,414**
OPERATING SURPLUS (DEFICIT) PRIOR TO ADJUSTMENTS	**13,424**	**52,927**	**78,586**	**87,364**
PETROLEUM PRODUCTS REVOLVING FUND - NET REVENUE	-	-	-	423
ESTIMATED SUPPLEMENTARY REQUIREMENTS				
Operations Expenditures - Regular	(10,000)	-	(50,000)	-
ESTIMATED APPROPRIATION LAPSES				
Infrastructure Contributions	5,000	8,000	8,000	-
Regular Operating Activities	5,000	8,000	8,000	-
WORK PERFORMED ON BEHALF OF OTHERS				
Recoveries	46,892	58,358	40,332	49,138
Expenditures	(46,892)	(58,358)	(40,332)	(49,138)
OPERATING SURPLUS (DEFICIT) FOR THE YEAR	**13,424**	**68,927**	**44,586**	**87,787**
ACCUMULATED SURPLUS AT THE BEGINNING OF THE YEAR	**860,712**	**791,785**	**762,296**	**703,998**
ACCUMULATED SURPLUS AT THE END OF THE YEAR	**874,136**	**860,712**	**806,882**	**791,785**

Summary of Revenues

(thousands of dollars)

	2008/2009 Main Estimates	2007/2008 Revised Estimates	2007/2008 Main Estimates	2006/2007 Actuals
GRANT FROM CANADA	**804,858**	**842,750**	**763,522**	**753,388**
TRANSFER PAYMENTS	**93,534**	**95,271**	**93,101**	**125,930**
TAXATION REVENUE				
Personal Income Tax	65,154	50,019	72,395	81,600
Corporate Income Tax	64,287	104,890	119,141	49,536
Tobacco Tax	14,090	14,624	14,295	14,044
Fuel Tax	18,799	20,305	19,092	22,578
Payroll Tax	37,694	36,740	31,171	33,073
Property Tax and School Levies	19,734	19,489	17,864	17,729
Insurance Taxes	3,500	3,558	3,300	3,430
	223,258	**249,625**	**277,258**	**221,990**
GENERAL REVENUES				
Revolving Funds Net Revenue	22,431	22,684	21,561	21,754
Regulatory Revenues	15,475	14,815	12,411	14,126
Investment Income	5,956	8,949	6,848	21,213
Other General Revenues	1,204	1,299	3,339	2,261
	45,066	**47,747**	**44,159**	**59,354**
OTHER RECOVERIES				
Lease and Accommodations	914	1,117	238	1,054
Service	1,733	2,280	1,847	1,136
Program	26,971	27,205	28,552	15,135
Commodity Sales	66	123	88	366
Insurance Proceeds	60	33	60	1,473
Other Miscellaneous Recoveries	195	99	144	75
Recovery of Prior Years' Expenditures	3,000	3,000	3,000	8,704
	32,939	**33,857**	**33,929**	**27,943**
GRANTS IN KIND	**762**	**533**	**533**	**598**
CAPITAL				
Other	3,976	5,555	5,459	84
Building Canada	12,587	-	-	-
Deferred Capital Contributions	13,416	13,173	13,175	14,491
	29,979	**18,728**	**18,634**	**14,575**
TOTAL REVENUES	**1,230,396**	**1,288,511**	**1,231,136**	**1,203,778**

Summary of Operations Expenditures by Department

(thousands of dollars)

	2008/2009 Main Estimates	2007/2008 Revised Estimates	2007/2008 Main Estimates	2006/2007 Actuals
Legislative Assembly	15,364	16,379	16,294	13,820
Executive	123,873	130,805	122,038	122,986
Finance	10,959	11,437	11,461	7,141
Municipal and Community Affairs	114,782	137,370	114,656	106,409
Public Works and Services	57,800	53,090	51,800	50,496
Health and Social Services	309,822	298,842	277,395	281,371
Justice	91,976	92,091	88,441	86,342
Education, Culture and Employment	293,914	296,150	286,150	267,858
Transportation	95,947	92,296	88,302	85,073
Industry, Tourism and Investment	45,593	44,201	38,869	37,418
Environment and Natural Resources	56,942	62,923	57,144	55,619
TOTAL OPERATIONS EXPENDITURES	**1,216,972**	**1,235,584**	**1,152,550**	**1,114,533**

Summary of Capital Investment Expenditures by Department

(thousands of dollars)

	2008/2009 Main Estimates	2007/2008 Revised Estimates	2007/2008 Main Estimates	2006/2007 Actuals
Legislative Assembly	540	539	-	50
Executive	7,500	7,871	7,717	2,347
Finance	-	-	-	-
Municipal and Community Affairs	1,421	1,712	(394)	3,255
Public Works and Services	12,159	18,152	8,389	8,629
Health and Social Services	32,414	24,439	10,109	20,878
Justice	1,690	4,946	618	1,402
Education, Culture and Employment	24,508	55,888	30,565	20,759
Transportation	56,437	71,514	47,043	30,334
Industry, Tourism and Investment	3,828	3,170	1,810	1,631
Environment and Natural Resources	1,765	4,612	2,378	1,293
TOTAL CAPITAL INVESTMENT EXPENDITURES	**142,262**	**192,843**	**108,235**	**90,578**

Summary of Changes in Capital Assets and Amortization

(thousands of dollars)

	2008/2009 Main Estimates	2007/2008 Revised Estimates	2007/2008 Main Estimates	2006/2007 Actuals
BEGINNING OF THE YEAR				
Cost of Capital Assets in Service	1,699,373	1,607,600	1,620,590	1,522,630
Accumulated Depreciation	(677,270)	(625,718)	(630,373)	(575,394)
Net Book Value	1,022,103	981,882	990,217	947,236
CHANGES DURING THE YEAR				
Capital Assets Put into Service	202,262	91,773	104,393	86,762
Disposals	-	-	-	(1,792)
Amortization	(56,770)	(51,552)	(54,050)	(50,324)
NET BOOK VALUE OF CAPITAL ASSETS IN SERVICE AT THE END OF THE YEAR	**1,167,595**	**1,022,103**	**1,040,560**	**981,882**
Work in Progress on Multi-year Projects	134,000	136,000	154,289	109,630
TOTAL NET BOOK VALUE AND WORK IN PROGRESS	**1,301,595**	**1,158,103**	**1,194,849**	**1,091,512**
CALCULATION OF CAPITAL INVESTMENT				
Capital Investment per Infrastructure Acquisition Plan	142,262	202,143	108,629	96,578
Supplementary Reserve	12,000		12,000	-
Carry-over of Appropriations from the Previous Year	80,000	-	30,000	-
Estimated Appropriations for Incomplete Projects Continued in Subsequent Year	(30,000)	(80,000)	(30,000)	-
Estimated Appropriation Lapses	(4,000)	(4,000)	(4,000)	-
Capital Investment Expenditures	**200,262**	**118,143**	**116,629**	**96,578**
CALCULATION OF ASSETS PUT INTO SERVICE				
Work in progress, beginning of the year	136,000	109,630	142,053	99,814
Capital Investment Expenditures	200,262	118,143	116,629	96,578
Less work in progress, end of the year	(134,000)	(136,000)	(154,289)	(109,630)
Assets put into service	**202,262**	**91,773**	**104,393**	**86,762**

Summary of Cash Flows

(thousands of dollars)

	2008/2009 Main Estimates	2007/2008 Revised Estimates	2007/2008 Main Estimates	2006/2007 Actuals
OPERATING TRANSACTIONS				
Cash Received From:				
Canada	1,008,732	1,057,506	993,794	1,113,776
Other Revenues	236,206	247,246	225,530	375,420
	1,244,938	**1,304,752**	**1,219,324**	**1,489,196**
Cash Paid For:				
Operations Expenses	(1,159,865)	(1,163,761)	(1,130,631)	(1,129,334)
Projects Performed for Others	-	-	-	(249,724)
Cash Provided By (Used For) Operating Transactions	**85,073**	**140,991**	**88,693**	**110,138**
CAPITAL TRANSACTIONS				
Capital Investment (current year)	(191,871)	(113,193)	(111,743)	(97,075)
Capital Investment (prior year)	(4,950)	(4,047)	(5,978)	-
Proceeds from Disposal of Capital Assets	-	-	-	-
Capital Contributions Received and Deferred	53,100	22,241	18,785	34,490
Cash Provided By (Used For) Capital Transactions	**(143,721)**	**(94,998)**	**(98,936)**	**(62,585)**
INVESTING TRANSACTIONS				
Designated Cash and Investments Purchased	-	-	-	1,818
Loans (Net of Repayments)	(4,450)	(4,375)	(3,800)	(2,833)
Cash Provided By (Used For) Investing Transactions	**(4,450)**	**(4,375)**	**(3,800)**	**(1,015)**
FINANCING TRANSACTIONS				
Repayment of Capital Lease Obligations	**(2,641)**	**(2,641)**	**(2,641)**	**(1,428)**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(65,739)**	**38,977**	**(16,684)**	**45,110**
Repayment of Corporate Income Tax Overpayment	(58,000)	(26,000)	(25,929)	(284,658)
Cash and Cash Equivalents at the Beginning of the Year	122,206	109,229	(7,836)	348,777
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**(1,534)**	**122,206**	**(50,449)**	**109,229**

Summary of Total Debt and Estimated Borrowing Capacity

(thousands of dollars)

	2008/2009 Main Estimates	2007/2008 Revised Estimates	2007/2008 Main Estimates	2006/2007 Actuals
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**(1,534)**	**122,206**	**(50,449)**	**109,229**
GUARANTEED DEBT				
NWT Power Corporation	(109,580)	(111,351)	(89,728)	(104,797)
NWT Energy Corporation	(21,297)	(21,775)	(21,775)	(22,229)
NWT Housing Corporation	(26,397)	(27,318)	(27,316)	(28,990)
TOTAL GUARANTEED DEBT	**(157,274)**	**(160,444)**	**(138,819)**	**(156,016)**
TOTAL (DEBT) SURPLUS	**(158,808)**	**(160,444)**	**(189,268)**	**(156,016)**
AUTHORIZED BORROWING LIMIT	**500,000**	**500,000**	**300,000**	**300,000**
AVAILABLE BORROWING CAPACITY	**341,192**	**339,556**	**110,732**	**143,984**

Any further guarantees of NWT Power Corporation Debt may require a review of the GNWT's overall borrowing capacity with the Government of Canada.

Provincial and Territorial Tax Rates as of May 13, 2008

	Combined Top Marginal PIT Rate [a]	Retail Sales Tax	Fuel Tax [b]		Tobacco Tax on Cigarettes	Payroll Tax [d]	Corporate Income Tax		Capital Tax [e]
			Gas	Diesel			Small	Large	
	(%)	(%)	(¢/ litre)	(¢/ litre)	($/ carton) [c]	(%)	(%)	(%)	(%)
Northwest Territories	43.05	-	10.7	9.1	42.00	2.00	4.0	11.5	-
Nunavut	40.50	-	6.4	9.1	42.00	2.00	4.0	12.0	-
Yukon	42.40	-	6.2	7.2	26.40[i]	-	4.0	15.0	-
British Columbia	43.70	7.0	14.5	15.0	35.80	-	4.5	12.0	0/ 3.0
Alberta	39.00	-	9.0	9.0	37.00	-	3.0	10.0	-
Saskatchewan	44.00	5.0	15.0	15.0	36.60	-	4.5	13.0/12.0[g]	0.15[j]/ 3.25
Manitoba	46.40	7.0	11.5	11.5	35.00	2.15	2.0	14.0/13.0 [h]	0.4/ 3.0
Ontario	46.41	8.0	14.7	14.3	24.70	1.95	5.5	14.0	0.285/ 0.855
Quebec	48.22	7.5	15.2	16.2	20.60	4.26	8.0	11.4	0.36/ 0.72
New Brunswick	46.95	8.0	10.7	16.9	23.50	-	5.0	13.0	0.10/ 3.0
Nova Scotia	48.25	8.0	15.5	15.4	33.04	-	5.0	16.0	0.225[l]/ 4.0
Prince Edward Island	47.37	10.0	15.8	20.2	34.90	-	3.2	16.0	0/ 5.0
Newfoundland[k]	45.50	8.0	16.5	16.5	36.00	2.00	5.0	14.0	0/ 4.0
Weighted average [f]	45.66	6.8	14.1	14.3	27.71	1.86	5.5	12.7	

Notes:

(a) Combined federal-provincial/ territorial highest personal income tax rates in effect for the 2008 tax year.

(b) New Brunswick, Newfoundland, Nova Scotia and Quebec apply sales tax to fuel. The NWT's off-highway gasoline tax rate is 6.4 cents/ litre.

(c) Manitoba, New Brunswick, Newfoundland, Nova Scotia and Saskatchewan apply sales tax to tobacco products.

(d) The NWT and Nunavut levy payroll taxes on employees. Other provinces that levy payroll taxes provide exemptions for small business and/ or the rates vary depending on the payroll size.

(e) Capital tax rates are for large corporations and for financial institutions in the order shown. The tax bases are different for different types of companies.

(f) Average weighted by provincial/ territorial populations at July 1, 2007.

(g) Saskatchewan's general corporate rate will decline to 12.0% on July 1, 2008.

(h) Manitoba's general corporate rate will decline to 13.0% on July 1, 2008.

(i) Yukon's cigarette tax will increase to $42.00 a carton on July 1, 2008.

(j) Saskatchewan's capital tax applying to corporations other than financial institutions will be eliminated on July 1, 2008.

(k) Newfoundland's combined top marginal PIT rate will fall to 44.5 per cent on July 1, 2008.

(l) Nova Scotia's large corporations tax on capital of non-financial institutions will decline from 0.225 per cent to 0.2 per cent on July 1, 2008.